

# STATE OF ALABAMA

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended  
September 30, 2002



Don Siegelman  
Governor

Lucy Baxley  
State Treasurer

Henry C. Mabry, III  
Director of Finance

Susan D. Parker  
State Auditor

*Prepared by the  
Department of Finance, Office of the State Comptroller  
Robert L. Childree • State Comptroller*

# STATE OF ALABAMA

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**STATE OF ALABAMA**

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**INTRODUCTORY SECTION**

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STATE OF ALABAMA  
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May 30, 2003

To the Honorable Governor,  
Members of the State Legislature, and  
the Citizens of Alabama:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the State of Alabama for the year ended September 30, 2002. I believe the information as presented is accurate in all material respects and complies with Article IV, Section 72 of the *Constitution of Alabama of 1901* and Section 41-4-3(4) of the *Code of Alabama 1975*, as amended. The completeness and fairness of the presentation, including all disclosures, rests with the State's management. This report complies with Article V, Section 137 of the *Constitution of Alabama of 1901* and Section 36-16-1(6) of the *Code of Alabama 1975*, as amended, as the financial report for the State Auditor, State Treasurer, and State Comptroller.

**Introduction to the Report**

**Report**

The Comprehensive Annual Financial Report is divided into three sections:

- **The Introductory Section** contains this letter of transmittal, the Certificate of Achievement for Excellence in Financial Reporting for the September 30, 2001 CAFR, a list of principal officials at September 30, 2002, and the State organization chart.
- **The Financial Section** includes the Independent Auditor's Report, management's discussion and analysis, basic financial statements including notes, required supplementary information, combining and individual fund financial statements, and supplemental statements and schedules.
- **The Statistical Section** includes selected financial and demographic information about the State, with an emphasis on multi-year trends.

**Internal Controls**

The internal controls in the State's accounting system have been designed to comply with Alabama statutes requiring the audit of receipts and receivables; the determination of legality and correctness of each claim and expenditure; and that funds are appropriated, allotted, and on deposit in the State Treasury before any warrant is issued. The internal controls include manual pre-audit and automated system edits. As an additional control, the State Auditor's Office is responsible for a post-audit of the accounts and records of the Department of Finance and the State Treasurer's Office. These internal accounting controls provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

**Audit**

This CAFR has been audited by the Department of Examiners of Public Accounts. The Examiners conducted their audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. The Examiners' unqualified opinion appears at the beginning of the financial section of this report. The State will also undergo an audit of federal programs to conform to the requirements of the *Federal Single Audit Act Amendments of 1996* and the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Information relating to the single audit, including the schedule of expenditures of federal awards, and audit findings and recommendations, is issued in a separate report and will be available at a later date from the Examiners of Public Accounts.

## **Management's Discussion and Analysis**

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

### **Profile of the Government**

#### **Reporting Entity**

This report presents financial information on all of State government as a single reporting entity. While State law allows many State organizations to operate largely independent of the daily central control and scrutiny of the State Finance Department, State Auditor, and State Treasurer, this report combines the financial data of all State organizations in order to present a comprehensive picture of State finances. The numerous departments, agencies, elected officials, boards, commissions, authorities, colleges, universities, and other organizational units of the State are included in this report in accordance with standards established by the Governmental Accounting Standards Board. These standards make a distinction between organizations which are considered to be part of the primary government of the State and those which are component units. A component unit is defined as a legally separate corporate entity for which the State is considered to be financially accountable. The criteria used to determine financial accountability include the appointment of a majority of the governing board, the ability of the State to impose its will on the organization, and the potential for the organization to be a financial benefit or financial burden to the State. The State is also considered financially accountable for any organization having an independently appointed board if that organization is fiscally dependent on the State. An organization is fiscally dependent if it is unable to adopt a budget, set rates or charges, or issue bonded debt without the approval of the State. Component units can be reported as if they are a part of the primary government ("blended presentation") if they provide services solely to the government, but most of the State's component units do not and are therefore presented separately ("discrete presentation") in these financial statements. The largest of the blended component units includes the Corrections Institution Finance Authority, the Industrial Access Road and Bridge Authority, and the Building Renovation Finance Authority. The most significant discretely presented component units are the Alabama Water Pollution Control Authority, the Department of Mental Health and Mental Retardation, the Alabama Housing Finance Authority, the four-year colleges and universities, the Alabama Public School and College Authority, and the Twenty-first Century Authority. Note 1 to the financial statements provides a more complete description of the State's reporting entity.

#### **Budgetary Controls**

Budgetary control is exercised through the Executive Budget Office of the State Finance Department based on the Appropriation Acts of the State Legislature. Alabama's annual Appropriation Acts include legally adopted budgets for the General Fund, the Education Trust Fund, and other budgeted funds. The Appropriation Acts identify the source of funding and the programmatic (functional) areas for which expenditures are authorized. Both the Alabama Constitution and the statutes require a balanced budget for annual financial operations. In the event that revenue collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft in any fiscal year for which appropriations are made. Allotments of appropriations are made quarterly based on plans of operations submitted by the departments and agencies. These appropriations and allotments are enforced by automated edits that prevent allotments in excess of appropriations and expenditures in excess of allotments. Encumbrance accounting is utilized as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. Controls are further tightened at fiscal year end by checking that the total of purchase orders plus expenditures plus any obligations (accounts payable) incurred against fiscal year appropriations do not exceed allotments, and remaining allotments do not exceed cash in the Treasury.

#### **Cash Controls**

The State's controls on cash are fiscally very conservative. Constitutional Amendment 26 prohibits the State Comptroller from drawing warrants on the State Treasury unless there is money on hand to cover those warrants. This is more restrictive at the end of the fiscal year when obligations (encumbrances and accounts payable) cannot exceed the available cash balance (cash less warrants payable). This control is enforced by automated edits and tends to result in positive fund balances, even when GAAP basis accruals are made in the financial statements. Compliance with Amendment 26 is demonstrated in the following exhibits for the General Fund and the Education Trust Fund.

# STATE OF ALABAMA

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## Summary of Receipts, Disbursements, and Cash Balances

### General Fund

#### Last Five Fiscal Years - Cash Basis (Treasury Cash Only)

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Beginning Cash Balance, October 1</b>	<b>\$ 100,229</b>	<b>\$ 126,108</b>	<b>\$ 84,298</b>	<b>\$ 70,712</b>	<b>\$ 68,192</b>
Receipts	1,144,313	1,163,254	1,132,078	1,028,897	984,032
Disbursements	<u>1,179,366</u>	<u>1,189,133</u>	<u>1,090,268</u>	<u>1,015,311</u>	<u>981,512</u>
<b>Net Increase (Decrease) in Cash Balance</b>	<b>(35,053)</b>	<b>(25,879)</b>	<b>41,810</b>	<b>13,586</b>	<b>2,520</b>
<b>Ending Cash Balance, September 30</b>	<b>65,176</b>	<b>100,229</b>	<b>126,108</b>	<b>84,298</b>	<b>70,712</b>
Cash Balance Reserved for Obligations	<u>35,133</u>	<u>38,637</u>	<u>65,662</u>	<u>8,796</u>	<u>38,876</u>
<b>Unobligated Cash Balance, September 30</b>	<b><u>\$ 30,043</u></b>	<b><u>\$ 61,592</u></b>	<b><u>\$ 60,446</u></b>	<b><u>\$ 75,502</u></b>	<b><u>\$ 31,836</u></b>

## Summary of Receipts, Disbursements, and Cash Balances

### Education Trust Fund

#### Last Five Fiscal Years - Cash Basis (Treasury Cash Only)

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Beginning Cash Balance, October 1</b>	<b>\$ 32,619</b>	<b>\$ 44,044</b>	<b>\$ 26,955</b>	<b>\$ 27,946</b>	<b>\$ 15,026</b>
Receipts	4,133,349	4,014,710	4,114,374	3,911,480	3,734,616
Disbursements	<u>4,132,884</u>	<u>4,026,135</u>	<u>4,097,285</u>	<u>3,912,471</u>	<u>3,721,696</u>
<b>Net Increase (Decrease) in Cash Balance</b>	<b>465</b>	<b>(11,425)</b>	<b>17,089</b>	<b>(991)</b>	<b>12,920</b>
<b>Ending Cash Balance, September 30</b>	<b>33,084</b>	<b>32,619</b>	<b>44,044</b>	<b>26,955</b>	<b>27,946</b>
Cash Balance Reserved for Obligations	<u>28,890</u>	<u>26,818</u>	<u>30,367</u>	<u>2,922</u>	<u>13,792</u>
<b>Unobligated Cash Balance, September 30</b>	<b><u>\$ 4,194</u></b>	<b><u>\$ 5,801</u></b>	<b><u>\$ 13,677</u></b>	<b><u>\$ 24,033</u></b>	<b><u>\$ 14,154</u></b>

### General Fund and Special Revenue Fund Balances

The fund balances for the General Fund and the Education Trust Fund (ETF) for the last five fiscal years are presented in the following table. The fiscally conservative nature of Amendment 26 tends to produce positive fund balances every year. However, during the 1996 fiscal year, an error was made in the distribution of certain taxes which caused the ETF to have a deficit GAAP balance because it owed the General Fund \$29 million to correct the error. The debt between the two funds was cleared in fiscal year 2000. The ETF fund balance increased substantially in 2001 because GASB 33 required the accrual of taxes receivable.

## FUND BALANCES - GAAP Basis

(Amounts in Millions)

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General Fund	\$ 152.0	\$ 112.0	\$ 87.9	\$ 90.9	\$ 77.1
Education Trust Fund	81.8	326.9	26.4	(13.6)	(13.6)

## Economic Condition and Outlook

As with the national economy, the slowdown in the state's economy began with the slump in the manufacturing sector and a decline in business capital expenditures. In Alabama, the manufacturing sector has consistently lost jobs since 1996, losing almost 62,000 since the last recorded gain in 1995. The slowdown has had spillover effects on other sectors. Construction, retail and wholesale trade, and some service-related industries, which were the engines of growth until recently, lost a significant number of jobs in 2002. The manufacturing sector showed some signs of recovery in the first seven months, with the rate of job losses slowing somewhat. However, manufacturing industries again started to experience declining production and slight increases in payroll cuts toward the end of the year. The recent manufacturing sector contraction is mainly due to a slowdown in business investment that is linked to uncertainties about consumer spending, terrorism, and the war in the Middle East.

In Alabama, about 1,700 more jobs were lost in 2002 than in the previous year, but productivity increases resulted in output growth, unlike in 2001. In 2002, the state lost 19,300 jobs, with manufacturing accounting for 10,200, or 53 percent. It is important to note that manufacturing payroll declines for 2002 are about half the almost 20,000 jobs lost in 2001. The automobile and related industries gained 2,200 jobs in 2002. The remaining manufacturing industries lost jobs except for lumber, which gained a few hundred. Manufacturing accounts for almost 20 percent of gross state product and 18 percent of the state's nonagricultural employment, while nationally, manufacturing accounts for 14 percent of total gross domestic product and 12 percent of total nonagricultural employment.

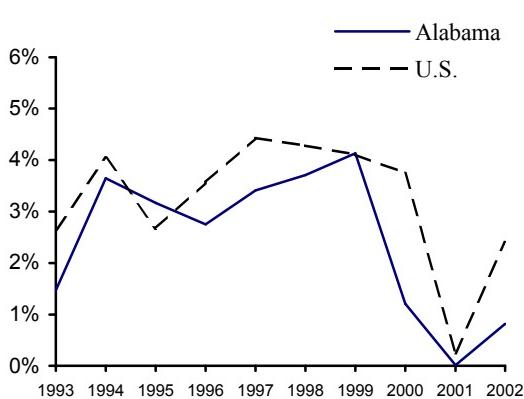
Residential construction has remained strong throughout the most recent downturn, particularly in the state's metropolitan areas. Industrial and commercial construction experienced significant slowdowns, offsetting the strength in residential construction. Total construction activity seemed to be at a standstill for 2002. The sector lost about 1,000 jobs after losing a little over 600 jobs in 2001.

Trade, which comprises both wholesale and retail and has been one of the fastest growing segments of the state economy, lost 6,100 jobs in 2002, following a 4,900 job loss in 2001. These employment contractions are in stark contrast to 1999 when the sector accounted for almost 40 percent of the total new jobs gained in the state. The decline in trade sector payrolls can be attributed to the slowdown in consumer spending and excess retail capacity.

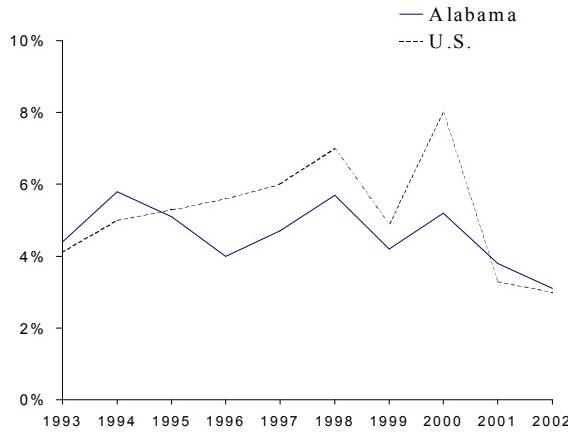
Services, another fast growing sector of the state's economy, managed to hold employment, losing about 100 jobs in 2002. The sector had added almost 7,900 new payroll jobs in the previous year. Most of the job losses were due to sharp declines in spending on outsourcing services and a slowdown in both business and tourism travel.

Alabama's economy is expected to grow 2.8 percent in 2003 with gross state product. Output is expected to increase for all sectors. Motor vehicle industry output is expected to rise almost 11 percent in 2003 to \$2.1 billion. Total Alabama employment is expected to increase by 1.0 percent. However, if business spending on capital goods remains weak, employment is not expected to increase by much and may even be flat.

**Annual Growth of Gross Product  
Last Ten Years**



**Annual Growth in Personal Income  
Last Ten Years**



# STATE OF ALABAMA

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## Major Initiatives

### **Industrial Development**

On April 2, 2002, Hyundai Motor Company made the decision to build its new \$1 billion automotive plant in Hope Hull, Alabama. Hyundai will create approximately 2,000 direct jobs and between 4,000 and 5,000 indirect jobs. The plant will be Hyundai's first assembly plant in the United States and produce approximately 300,000 automobiles per year at maximum capacity. Alabama is now home to four of the world's top automotive manufacturers.

On October 28, 2002, Williams International executives announced that the company would build its newest jet engine manufacturing facility in Huntsville, Alabama. This facility will be the latest addition to Alabama's growing aerospace technology and manufacturing sector, which includes Boeing, Lockheed-Martin, Raytheon, Panalpina, Litton Industries, NASA Marshall Space Flight Center and Redstone Arsenal. The Huntsville facility will represent a total investment of \$268 million and will create more than 700 jobs for Alabama workers in the state's fast-growing aerospace technology and manufacturing sector.

### **Education**

On October 19, 2001, the Governor announced the opening of 22 new pre-kindergarten sites in Alabama. Each class in the 22 sites will serve 18 children. The pre-kindergarten sites received a grant from the Office of School Readiness (OSR), which is housed in the Department of Children's Affairs, a state agency created by legislation in 1999. Each site received \$75,000 and is required to have at least a 50% match or \$37,500. A total of 43 pre-kindergarten sites are being administered through the OSR with federal, state, and private funds. Research shows that for every dollar spent in a quality early learning program, seven dollars are saved in social costs.

On August 29, 2002, the Governor announced that all of Alabama's public schools are connected to the Internet providing 21<sup>st</sup> century education to all Alabama school children. The successful connection of Alabama schools to the Internet provides the foundation for the expansion of other technology initiatives, such as the Alabama Virtual Library, the Alabama Online High School and teacher technology training.

Alabama public school teachers will be tested for the first time in two decades. Beginning January 1, 2003, prospective teachers seeking employment in any of Alabama's public schools must pass each section of the test as a precondition for applying for certification from the Alabama State Department of Education.

### **Conservation and Natural Resources**

On July 18, 2002 the Governor announced the release of \$20 million for Alabama coastal protection. The projects initiated through the Alabama Department of Conservation and Natural Resources (ADCNR) include the removal of derelict pilings from Mobile Bay and Mississippi Sound, dilapidated buildings along the Mobile Bay Causeway and abandoned camps in the Mobile-Tensaw Delta, as well as the construction and renovation of boat ramps and the construction of the Mobile-Tensaw Canoe Trail. Clean water enforcements are also handled by ADCNR. The Mobile-Tensaw Delta is the largest intact wetlands in the United States with approximately one fifth of the nation's freshwater flowing through the Mobile Basin.

### **Prescription Drug Assistance Program**

Alabama seniors can call 1-800-AGE-LINE to enroll in the statewide program and to receive assistance in obtaining free and low-cost prescription drugs. The Alabama Department of Senior Services has partnered with senior advocates, members of the medical community and other state and local leaders to save an estimated \$100 million per year in free and low-cost prescription drugs for seniors.

### **Homeland Security**

On September 4, 2002, the Governor announced the official opening of the Alabama Office of Homeland Security (AOHS) that works to detect, prepare for, prevent and respond to terrorist activity in the State. The AOHS has developed a comprehensive state plan to secure Alabama from terrorist threats or attacks. The AOHS works with state departments and agencies, county and local governments, including law enforcement, and private entities to ensure the viability of the State's strategy for homeland security, as well as to share information about potential terrorist threats or activity. The plan, which is classified for internal state use, is continuously being reevaluated and updated as necessary to improve protective measures.

## Financial Information

The MD&A provides an overview of the State's financial activities addressing both governmental and business-type activities reported in the government-wide financial statements. In addition, MD&A focuses on the State's major funds such as the General Fund, Education Trust Fund, Alabama Trust Fund, and Unemployment Compensation Trust Fund.

### **Cash Management**

The State Treasurer has the responsibility for the investment of cash balances. Due to statutory requirements, treasury cash is primarily invested in time deposit - open accounts, repurchase agreements with Alabama banks, and agency securities.

The State Treasurer has placed considerable emphasis on cash management. In cooperation with State agencies, the receiving of funds into the State Treasury is expedited, with all available funds being invested. Interest earnings during the 2001-2002 fiscal year were as follows:

Time Deposit - Open Accounts- Regular	\$ 15.2 million
Time Deposit - Open Accounts- Linked Deposits	\$ 2.2 million
Repurchase Agreements	\$ 10.7 million

Interest income is deposited in the State's General Fund to be appropriated by the Legislature for government operations. In addition to the management of the investment of these funds, the State Treasurer has statutory authority to invest for several state agencies, with interest earnings being credited to those agencies.

### **Debt Administration**

Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service due in large part to the commitment to sound fiscal management. Both the Alabama Constitution and the statutes require a balanced budget for annual financial operations. The State Constitution prohibits the issuance of debt. Therefore, the only way to issue general obligation debt is by amending the Constitution through a statewide vote of the people. The State does issue revenue bonds which are limited obligations of public corporations governed by State officials. Those revenue bonds are backed by a pledge of specific revenue sources for which the annual collections are generally predictable. The total outstanding general obligation bond indebtedness as of September 30, 2002, was \$535.1 million and the total outstanding revenue bond indebtedness for the primary government was \$686.4 million. The total outstanding revenue bond indebtedness for component units was \$5.079 billion. The total outstanding bond indebtedness for the reporting entity at September 30, 2002, was \$6.3 billion. The State's general obligation bond debt per capita increased to \$119 during the year. The ratio of general obligation bond debt to assessed property valuation rose to 1.44 percent, and the ratio of general obligation debt to personal income increased to 0.47 percent.

The State of Alabama issued \$139,955,000 in general obligation bonds in fiscal year 2002. The Alabama Public School and College Authority issued \$203,600,000 in new bonds. The Water Pollution Control Authority issued \$32,485,000 in new bonds. The Drinking Water Finance Authority issued \$37,575,000 in new bonds. Alabama 21<sup>st</sup> Century Authority issued \$103,760,000 in new bonds. The Housing Finance Authority issued \$147,040,000 in new bonds and called approximately \$77,567,000 of bonds in advance of their scheduled maturities. The Alabama Federal Aid Highway Authority issued \$200,000,000 in new bonds. The University of Alabama in Birmingham issued \$52,830,000 in new bonds. The Alabama Water Pollution Control Authority issued \$55,530,000 in refunding bonds. The refunding bonds were used to refund all outstanding Series 1991 bonds. The Montgomery Downtown Redevelopment Authority issued \$43,265,000 in refunding bonds. The refunding bonds were used to refund all of the outstanding Series 1992 bonds. Alabama State University issued \$35,900,000 in refunding bonds. The refunding bonds were used to refund all outstanding Series 1993, 1995, and 2001 bonds. The Alabama State Port Authority issued \$17,855,000 in new bonds. The University of Alabama in Tuscaloosa issued \$38,360,000 in new bonds. The University of Alabama in Huntsville issued \$9,370,000 in new bonds. Auburn University issued \$99,162,600 in new bonds. The University of Montevallo issued \$9,500,000 in new bonds.

### **Pension Trust Funds**

The State operates three major pension funds, the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the respective retirement systems' funding status on a going-concern basis. Analysis of this percentage over time indicates whether the respective system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the retirement system. Percentages funded as of the latest actuarial valuation date, September 30, 2001, for ERS (State employees and State policemen) and JRF were 102.4 and 85.0 percent, respectively. The percentage funded for TRS as of June 30, 2002, was 97.4 percent.

## STATE OF ALABAMA

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### Risk Management

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk control is managed by such means as encouraging that automatic sprinkler systems in insured properties are adequate and in full functioning order, carefully investigating and defending claims to minimize loss potential, managing care programs, and promoting healthy employee programs. Risk financing includes self-insurance plus excess insurance and reinsurance through several different funds. The State Insurance Fund, which insures property against fire and casualty losses, has excess insurance and reinsurance to cover any additional damage amounts, plus earthquake and flood damage. The General Liability Trust Fund protects state employees against the risk of loss from employment-related liability claims. Automobile liability is fully reinsured. The State Employee Injury Compensation Trust Fund, which provides benefits to eligible state employees for job-incurred injuries, is self-insured. The State Employees' Insurance Fund, which provides health insurance benefits for current and retired state employees and their dependents, is self-insured. The Public Education Employees' Health Insurance Fund, which provides health benefits for current and retired employees and their dependents of state educational institutions, is also self-insured.

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Acknowledgements

Production of this report would not have been possible without the assistance of all state organizations which supplied financial information vital to the accuracy of this report. As we strive to produce this report in future years and to further enhance its quality, the continued support and cooperation of all agencies remains essential. I also express my appreciation to my entire staff in the Division of Control and Accounts, whose daily efforts to improve the accountability of state government make the quality of this report possible.

Respectfully submitted,



Robert L. Childree  
State Comptroller

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2001

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



William D. Hart

President

Jeffrey R. Ecker

Executive Director

# STATE OF ALABAMA

## PRINCIPAL STATE OFFICIALS

September 30, 2002

### EXECUTIVE BRANCH

Don Siegelman  
Governor  
  
Steve Windom  
Lt. Governor  
  
Lucy Baxley  
State Treasurer  
  
Jim Bennett  
Secretary of State  
  
Charles Bishop  
Commissioner of Agriculture  
and Industries  
  
William H. Pryor, Jr.  
Attorney General  
  
Susan D. Parker  
State Auditor

### JUDICIAL BRANCH

Roy Moore  
Chief Justice of  
the Supreme Court  
  
Justices of the Supreme Court  
  
Jean Williams Brown  
  
Robert Bernard Harwood, Jr.  
  
J. Gorman Houston, Jr.  
  
Douglas Inge Johnstone  
  
Champ Lyons, Jr.  
  
Harold F. See  
  
Lyn Stuart  
  
Thomas A. Woodall

### LEGISLATIVE BRANCH

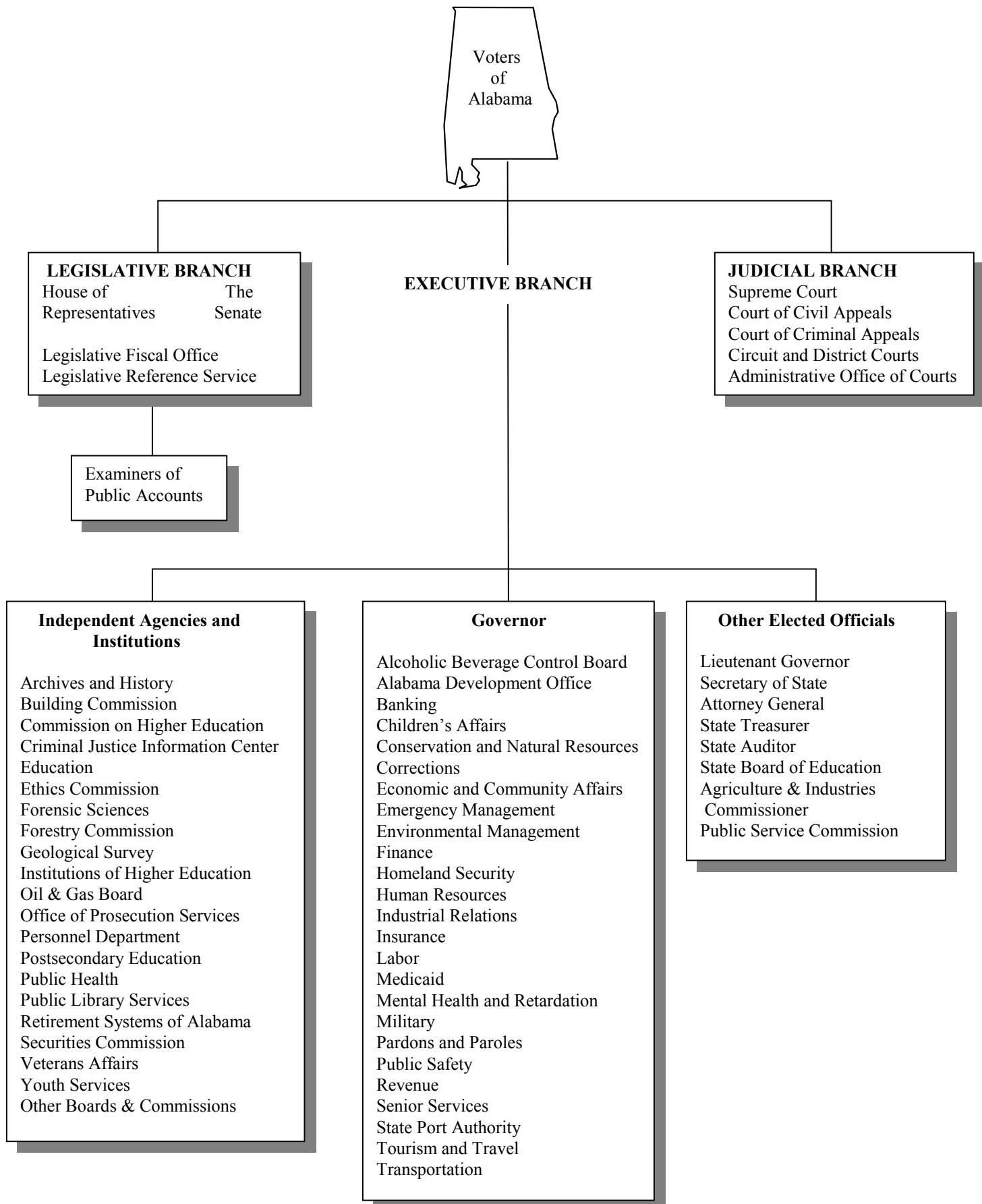
Lowell Ray Barron  
Senate President, Pro Tempore  
  
Seth Hammett  
Speaker of the House  
  
Ronald L. Jones  
Examiners of Public Accounts  
  
Joyce Bigbee  
Legislative Fiscal Office  
  
Jerry Bassett  
Legislative Reference Service

### EXECUTIVE BRANCH DEPARTMENTS

Henry C. Mabry, III Department of Finance	William C. Segrest Board of Pardons and Paroles	Michael W. Haley Department of Corrections
Randall Smith ABC Board	Anne A. Payne ADECA	Lee Helms Emergency Management Agency
Todd Strange Alabama Development Office	Brig. General Michael Hart Sumrall State Military Department	Paul Bowlin Department of Transportation
Melissa M. Galvin Department of Senior Services	Bill Fuller Department of Human Resources	Alice McKinney Department of Industrial Relations
Maria B. Campbell State Banking Department	James Barnhart Department of Labor	Mike Lewis Alabama Medicaid Agency
Riley Boykin Smith Department of Conservation and Natural Resources	Kathy E. Sawyer Department of Mental Health and Mental Retardation	Cynthia Underwood Department of Revenue
Col. James Alexander Department of Public Safety	Mark Burson Bureau of Tourism and Travel	David Parsons Department of Insurance
James K. Lyons Alabama State Port Authority	Pam Baker Department of Children's Affairs	Brig. General Michael Hart Sumrall Office of Homeland Security

# STATE OF ALABAMA

## ORGANIZATION CHART





**STATE OF ALABAMA**

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**FINANCIAL SECTION**

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**State of Alabama**  
Department of  
**Examiners of Public Accounts**

Ronald L. Jones  
Chief Examiner

*Independent Auditor's Report*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama, as of and for the year ended September 30, 2002, which collectively comprise the State's basic financial statements listed in the table of contents. These financial statements are the responsibility of the State of Alabama Department of Finance and management of the State of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Employees' Retirement System, the Teachers' Retirement System, the Public Employees' Individual Retirement Account Fund, the Public Employees' Individual Retirement Fund/Deferred Compensation Plan (RSA-1), the Public Education Employees' Health Insurance Fund, the State Employees' Insurance Board, the Alabama Health Insurance Plan, the Local Government Health Insurance Program, the Alabama Educational Television Foundation Authority, the Alabama Higher Education Loan Corporation, and the Alabama Space Science Exhibit Commission, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Alabama as of September 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the State of Alabama has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments*; Statement No. 35, *Basic Financial Statements – and*

*Management's Discussion and Analysis – for Public Colleges and Universities; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements;* effective October 1, 2001. This resulted in changes to the format and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2003, on our consideration of the State's internal control over financial reporting and our tests of the State's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the State's basic financial statements. The introductory section, the combining and individual fund statements and schedules, and the statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



RONALD L. JONES  
Chief Examiner of Public Accounts

May 30, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of the State of Alabama for the fiscal year ended September 30, 2002. Please consider the information presented here in conjunction with the letter of transmittal, which is located in the Introductory Section of this report, and the State's financial statements, which immediately follow this discussion and analysis. Fiscal year 2002 is the first year in which the State has provided this discussion and analysis as required by the new Governmental Accounting Standards Board (GASB) Statement No. 34. Future reports will provide more comparisons between the current and previous year.

### Financial Highlights

- The assets of the State exceeded its liabilities at the close of the most recent fiscal year by \$8.49 billion (*net assets*). Of this amount, \$4.2 billion was invested in capital assets, net of related debt, \$2.0 billion was in permanent trusts, and another \$1.5 billion was restricted for various purposes. The remaining \$725 million in net assets was unrestricted.
- The Change in Net Assets in governmental activities was a positive \$240.5 million. However, \$368.8 million of this can be attributed to the capitalization of infrastructure as required by GASB Statement No. 34. There will be no depreciation expense for these capital assets because the State has adopted the modified approach as explained later in this analysis.
- The Change in Net Assets for business-type activities was \$42 million during the fiscal year.
- The State's total debt rose during the fiscal year to \$1.533 billion, an increase of \$213 million, which represents the net difference between new issuances, and payments and refundings of outstanding debt. During the year the State issued \$358 million in new bonds.
- As of the close of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$3.8 billion. Approximately \$1.4 billion of this amount is unreserved fund balance.
- On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$35 million. But on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$40 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences and timing differences.

### Overview of the Financial Statements

This discussion and analysis is an introduction to the State of Alabama's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

#### **Government-wide Financial Statements**

The *government-wide financial statements* provide a broad overview of the State's financial position and activities, measured in a manner similar to a private-sector business. Assets, liabilities, revenues, expenses, gains, and losses are measured and reported using the economic resources measurement focus and accrual basis of accounting. The government-wide financial statements exclude fiduciary activities.

The *Statement of Net Assets* presents information on all of the State's assets and liabilities at the end of the fiscal year. The difference between the State's assets and its liabilities is its net assets. Increases or decreases in net assets from year to year may serve as a useful indicator of whether the financial position of the State is improving or not.

The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the State include general government, economic development and regulation, education and cultural resources, natural resources and recreation, health- physical and mental, social services, protection of persons and property, and transportation. Examples of business-type activities of the State are operation of the State's system of community and technical colleges, unemployment compensation services, operation of facilities for the distribution and sale of alcoholic beverages, and services for shippers at the Port of Mobile.

The government-wide financial statements include not only the State of Alabama itself (known as the *primary government*), but also legally separate *component units* for which the State is financially accountable. The major *component units* include the Public School and College Authority, Housing Finance Authority, Water Pollution Control Authority, Department of Mental Health, University of Alabama, Auburn University, and University of South Alabama. Financial information for the *component units* is reported in a separate column from the financial information presented for the primary government itself. The government-wide financial statements can be found immediately following this discussion and analysis.

## Fund Financial Statements

A *fund* is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental funds***

Most of the State's basic services are reported in *governmental funds*. The governmental fund financial statements focus on near-term inflows and outflows of resources of these funds and the balances of those resources available at year-end. These funds are measured and reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Because the focus of *governmental funds* is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances are followed by a reconciliation to the government-wide statements.

The types of funds which are categorized as governmental funds are the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Alabama Trust Fund, Education Trust Fund, Public Road and Bridge Fund, Public Welfare Trust Fund, and Alabama Medicaid Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated column on the basic financial statements. Individual fund data for each of the nonmajor governmental funds can be found in the combining and individual fund statements and schedules section of this report.

### ***Proprietary funds***

Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds: enterprise funds and internal service funds. Like the government-wide statements, proprietary funds use the accrual basis of accounting.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. These funds report activities that provide supplies and services to the general public in a manner similar to private business enterprises. The major enterprise funds are the Unemployment Compensation Trust, State Port Authority, Alabama College System, and the Alcoholic Beverage Control Board. The major enterprise funds are each presented in separate columns, but the nonmajor enterprise funds are aggregated in a single column.

Internal service funds report activities that provide supplies and services to other state agencies on a cost-reimbursement basis. These funds are reported as governmental activities on the government-wide financial statements. These funds provide computer services, information technology, telecommunications, rental of office buildings, janitorial services, building maintenance, printing services, manufacturing activities, health insurance coverage for state employees, and liability protection. The internal service funds are aggregated in a single column on the proprietary fund statements.

### ***Fiduciary funds***

The State acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds, which include pension and other employee benefits, private-purpose, and agency funds are reported using accrual accounting. The government-wide financial statements exclude fiduciary fund activities and balances because the resources of those funds are not available to support the State's own programs.

# STATE OF ALABAMA

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## Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They explain amounts shown in the financial statements and provide additional information that is essential to the fair presentation of the government-wide and fund financial statements.

## Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* which includes (1) budgetary comparison schedules reconciling the statutory and generally accepted accounting principles fund balances at fiscal year-end, (2) information about infrastructure assets reported using the modified approach, and (3) a schedule of funding progress for the Employees' Retirement System.

## Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental funds, non-major enterprise funds, internal service funds, fiduciary funds, and non-major discretely presented component units. These funds are added together by fund type and presented in single columns in the basic financial statements.

### Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The State's combined assets exceeded liabilities by \$8.49 billion as of September 30, 2002.

The largest component (49.7%) of the State's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges, tunnels), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

41.8 percent of the State's net assets are restricted and represent resources that are subject to either external restrictions or legislative restrictions on how they may be used. The remaining balance of \$725 million is unrestricted net assets and may be used to meet the State's ongoing obligations that are not funded by resources that are restricted. Internally imposed designations of resources are not presented as restricted net assets.

At the end of fiscal year 2002, the State was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Net Assets as of September 30, 2002  
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
Current and Other Assets	\$ 5,199,897	\$ 838,320	\$ 6,038,217
Capital Assets	4,464,407	724,609	5,189,016
Total Assets	9,664,304	1,562,929	11,227,233
Long-term Liabilities	1,115,786	315,544	1,431,330
Other Liabilities	1,091,258	215,354	1,306,612
Total Liabilities	2,207,044	530,898	2,737,942
Net Assets			
Invested in Capital Assets,			
Net of Related Debt	3,782,489	433,667	4,216,156
Restricted	3,078,468	469,585	3,548,053
Unrestricted	596,303	128,779	725,082
Total Net Assets	\$ 7,457,260	\$ 1,032,031	\$ 8,489,291

# STATE OF ALABAMA

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The following table was derived from the government-wide Statement of Activities. As a result of the excess of revenues over expenses, the State's net assets increased by \$282.4 million during fiscal year 2002. However, after removing the \$368.8 in increased net assets created by the capitalization of infrastructure, the State's spendable net assets actually declined. Taxes provided \$5.223 billion or approximately 35 percent of the State's total revenue. Education and Cultural Resources made up \$4.497 billion or 31 percent of the State's expenses, and \$4.154 billion or 28 percent was spent on Health-Physical and Mental.

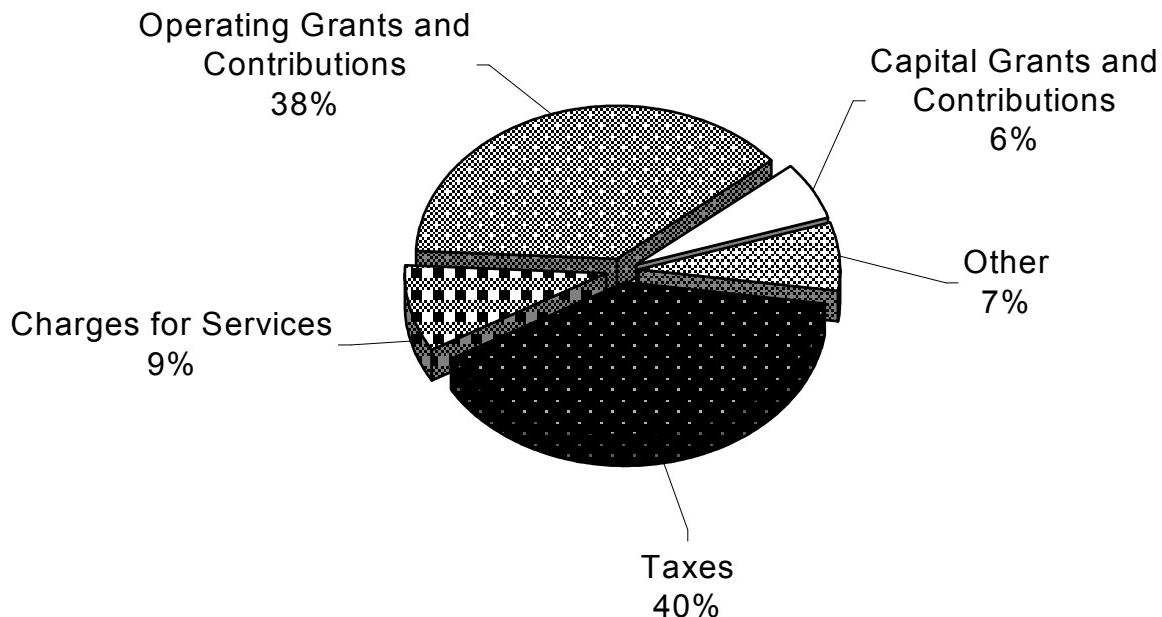
**Changes in Net Assets**  
For the Fiscal Year Ended September 30, 2002  
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government	Percentage of Primary Government
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$ 1,204,293	\$ 1,269,278	\$ 2,473,571	17%
Operating Grants and Contributions	5,030,225	265,245	5,295,470	36%
Capital Grants and Contributions	802,218	12,960	815,178	5%
General Revenues:				
Taxes	5,215,814	7,440	5,223,254	35%
Grants and Contributions Not Restricted to Specific Programs	7,018	112,684	119,702	1%
Investment Earnings	114,191	27,253	141,444	1%
Miscellaneous	811,940	2,045	813,985	5%
<b>Total Revenues</b>	<b>13,185,699</b>	<b>1,696,905</b>	<b>14,882,604</b>	<b>100%</b>
<b>Expenses:</b>				
Economic Development and Regulations	66,434		66,434	0%
Education and Cultural Resources	4,497,422		4,497,422	31%
Natural Resources and Recreation	92,699		92,699	1%
Health- Physical and Mental	4,153,516		4,153,516	28%
Social Services	1,418,462		1,418,462	10%
Protection of Persons and Property	644,681		644,681	4%
Transportation	847,240		847,240	6%
General Government	488,955		488,955	3%
Distributions to Local Governments	378,405		378,405	3%
Capital Outlay	19,745		19,745	0%
Debt Service - Principal Retirement	4,619		4,619	0%
Debt Service - Interest and Other Charges	117,261		117,261	1%
Unemployment Compensation		404,133	404,133	3%
State Port Authority		66,988	66,988	0%
Alabama College System		533,846	533,846	4%
Alcoholic Beverage Control Board		170,550	170,550	1%
Nonmajor Proprietary Funds		696,076	696,076	5%
<b>Total Expenses</b>	<b>12,729,439</b>	<b>1,871,593</b>	<b>14,601,032</b>	<b>100%</b>
<b>Increase (Decrease) in Net Assets</b>				
Before Contributions and Transfers	456,260	(174,688)	281,572	
Contribution to Permanent Fund Principal Transfers	680	174	854	
	<u>(216,423)</u>	<u>216,423</u>	<u>0</u>	
Change in Net Assets	240,517	41,909	282,426	
Net Assets - Beginning - Restated	<u>7,216,743</u>	<u>990,122</u>	<u>8,206,865</u>	
Net Assets - Ending	<b>\$ 7,457,260</b>	<b>\$ 1,032,031</b>	<b>\$ 8,489,291</b>	

**Governmental Activities**

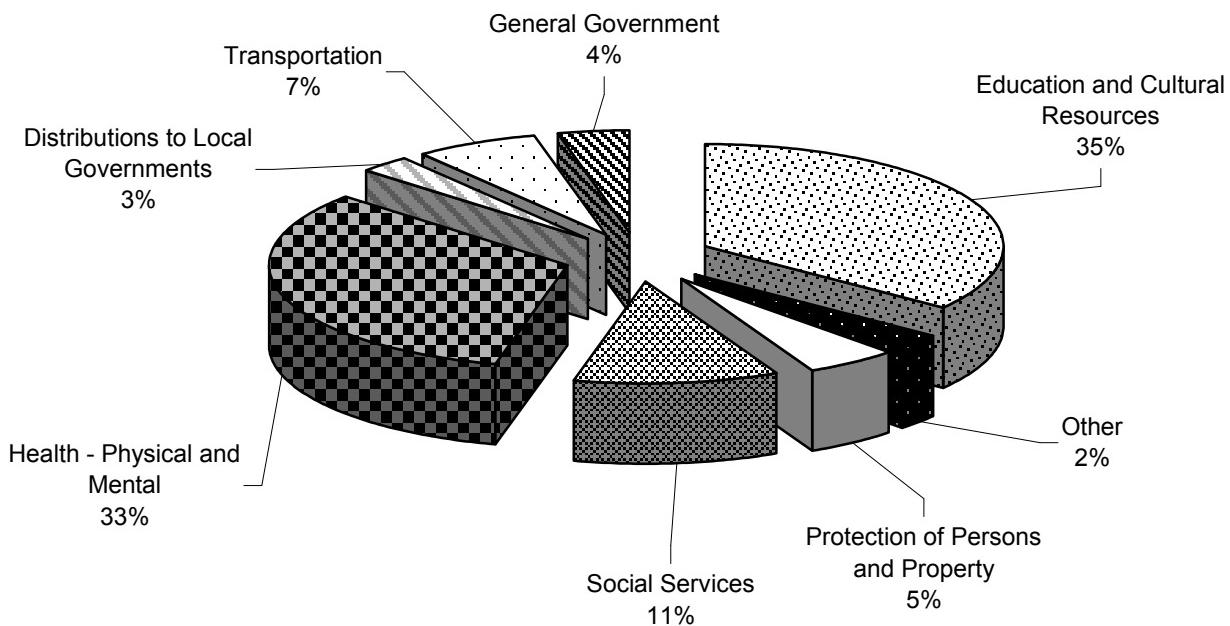
Revenue from all tax types represents 40 percent of total governmental revenues earned during fiscal year 2002. Total revenues for the governmental activities in fiscal year 2002 were \$13 billion. General revenues of the governmental activities were \$6.1 billion, of which the largest components are income taxes of \$2.0 billion and sales and use taxes of \$1.6 billion.

**Revenues - Governmental Activities**  
**Fiscal Year Ended September 30, 2002**



The two largest activities (1) Education and Cultural Resources and (2) Health- Physical and Mental together accounted for more than two-thirds of the governmental activities expenses for fiscal year 2002. Social Services accounted for 11 percent of the governmental activities expenses.

**Expenses - Governmental Activities  
Fiscal Year Ended September 30, 2002**



## Business-type Activities

Net assets of the business-type activities increased by \$42 million during the fiscal year. Revenues of business-type activities totaled \$1.7 billion. These activities generated program revenues of \$1.547 billion and general revenues of \$149 million. The program revenues consisted of \$1.269 billion of charges for services, \$265 million of operating grants and contributions, and \$13 million of capital grants and contributions. The total expenses for business-type activities were \$1.872 billion. The largest business-type activities involved the Alabama College System and Unemployment Compensation services. The net assets of the Alabama College System increased by \$41.4 million and the net assets of the Unemployment Compensation Trust decreased by \$12.1 million.

## Financial Analysis of the Government's Funds

### Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the governmental funds reported combined ending fund balances of \$3.8 billion. Of this total amount, \$2.46 billion is reserved and is not available for spending because it has already been legally dedicated for various contractual commitments, court settlements, and other purposes. The largest reserved amount of \$1.93 billion for the Alabama Trust represents the principal portion of this permanent fund. Permanent funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's own programs. An additional \$248 million of the Alabama Trust Fund is legally reserved as a Rainy Day Account for the Education Trust Fund. \$508 million has been designated for various capital projects and debt service, leaving \$884 million as unreserved and undesignated.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$148 million and reserved fund balance was \$4 million. Total fund balance increased by \$40 million during the fiscal year, primarily because of efforts to hold down expenditures in preparation for an expected revenue shortage in 2003. Tax revenue for the General Fund increased this year by approximately \$127 million. \$70 million of this increase is from the corporate shares tax, \$36 million from estate tax, and \$22 million from the insurance premium tax. The business privilege tax decreased by \$20 million, but various increases in other taxes were enough to offset this decrease. The Alabama Business and Corporate Shares Tax Act of 1999 provided a revenue replacement source for Alabama's unconstitutional franchise tax that had provided revenues of approximately \$120 million each year. The State's programs for Physical and Mental Health, Protection of Persons and Property, and Education and Cultural Resources benefited from these higher revenues in the amounts of \$97 million, \$13 million, and \$5 million, respectively.

The Education Trust Fund (ETF) is the largest governmental fund of the State. Revenues credited to the ETF are used for the support, maintenance, and development of public education in Alabama, debt service and capital improvements related to educational facilities, and other functions related to educating the State's citizens. Programs and agencies supported by the ETF include K-12 education, public library services, performing and fine arts, various scholarship programs, the State's education regulatory departments, and two and four-year colleges and universities. Funding from the ETF is also provided to non-state agencies that provide educational services to the people of Alabama, including the arts, disease counseling and education, and youth development. Various tax sources are allocated to the ETF, the largest of which are income tax, sales tax, utility tax, and use tax. Tax revenue for the current fiscal year is down approximately \$117 million as compared to the previous fiscal year. Individual income tax revenue, which accounts for approximately 50% of the tax revenue, decreased by \$298 million, or 13%. Corporate income tax is higher because of an increase in the corporate income tax rate from 5% to 6.5% for tax years beginning after December 31, 2000, as a result of Constitutional Amendment No. 662. Also, the net operating loss deduction was not allowed for the tax year 2001.

The Alabama Trust Fund consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service. In accordance with the constitutional amendments, the Alabama Heritage Trust Fund merged into the Alabama Trust Fund in the first quarter of this fiscal year. During the 2002 fiscal year, the Alabama Trust Fund's total fund balance decreased slightly by \$5.4 million. Investment income was only \$51 million this year, down from \$174 million for the Heritage and Alabama Trusts combined the previous year. That reduced income is consistent with generally lower returns on all investments in the current slow economy. Royalties decreased from last year's all-time high of \$256 million to \$147 million due to the fluctuation of the price of natural gas produced in Alabama's offshore waters. 35,000 acres of land in Alabama was purchased for \$19 million this fiscal year and is recorded as an expenditure in the fund.

## STATE OF ALABAMA

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Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-state revenue sources. Total fund balance for Medicaid decreased by \$96 million, primarily because the accrual of claims payable exceeds the accrual of related federal reimbursements by \$72 million. Future state revenues that will be earned in time to pay the claims will make up the difference.

The Public Road and Bridge Fund is the general operating fund of the Department of Transportation and receives all state revenues for that department, all federal aid reimbursements, and all miscellaneous receipts. Amendment No. 23 (as amended by Amendment No. 354) to the *Constitution of Alabama* provides that monies derived from any fee, excise or license taxes levied by the State on motor fuels shall be expended for the cost of construction, reconstruction, maintenance and repair of public highways and bridges; the cost of highway rights-of-way; the payment of highway obligations; the cost of traffic regulations; and the expense of enforcing state traffic and motor vehicle laws. The total fund balance for the Public Road and Bridge Fund increased by \$77 million to a total fund balance of \$429 million. \$164 million of that fund balance is committed in the form of encumbrances for various contracts and purchase orders, \$14 million is in inventory of materials on hand, and \$31 million is reserved by statute for replacement of equipment. The remaining \$220 million is unreserved and will be used for the general purposes of the fund in the future.

The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective service programs that provide financial assistance to individuals. The Public Welfare Trust Fund total fund balance decreased by \$22 million in fiscal year 2002. That amount is approximately 2% of the fund revenues and fund expenditures for the year and thus is within the range of normal annual fluctuation for fund balance.

### **Proprietary Funds**

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. As mentioned earlier, the two largest enterprise funds are the Alabama College System and the Unemployment Compensation Trust. Total net assets for all proprietary funds increased by \$41.9 million in fiscal year 2002 and the net assets of the Alabama College System alone increased by \$41.4, which accounted for most of the total increase. \$6.4 million of the Alabama College System's increase was in the form of capital contributions. The other two major funds are the State Port Authority and the Alcoholic Beverage Control Board, which had increases in net assets of \$1.02 million and \$0.63 million, respectively. The State Port Authority received \$6.5 million in capital contributions. Nonmajor proprietary funds had a combined increase in net assets of \$11 million.

### **Budgetary Highlights**

#### **General Fund**

The expenditure budget for the General Fund was increased by approximately \$14 million during fiscal year 2002. Approximately \$12 million was conditional appropriations. The conditional appropriations were mentioned in the original general fund appropriation bill, but none of the agencies include conditional amounts in their original budgets. The other \$2 million increase resulted from emergency appropriations and supplemental appropriations. Emergency appropriations cannot exceed two percent of the total amount appropriated. Besides the \$7 million budget increase in other expenditures, which includes several different agencies and activities, the largest increase in the budget was approximately \$5 million for the Administrative Office of Courts. Although the budget was increased, revenues were low because of tax revenues as a result of a weaker economy. Total expenditures on a budgetary basis were even lower than the original budget. On a budgetary basis, General Fund expenditures and other uses exceeded revenues and other sources by \$35 million. But on a GAAP (Generally Accepted Accounting Principles) basis, General Fund revenues and other sources exceeded expenditures and other uses by \$40 million. The Budgetary Comparison Schedule in Required Supplementary Information reconciles these amounts and lists the accounting basis differences and timing differences.

# STATE OF ALABAMA

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## Capital Asset and Debt Administration

### **Capital Assets**

At the end of the fiscal year, the State had invested \$5.19 billion, net of accumulated depreciation, in a broad range of capital assets (see the table below). Depreciation charges for the fiscal year totaled \$92.9 million.

Capital Assets as of September 30, 2002  
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
<b>Capital assets not being depreciated:</b>			
Land	\$ 113,902	\$ 50,193	\$ 164,095
Construction in progress	3,115	37,045	40,160
Historical exhibits	2,735	2,350	5,085
Construction in progress - Infrastructure	3,263,759		3,263,759
Infrastructure	368,785		368,785
<b>Total capital assets not being depreciated</b>	<b>3,752,296</b>	<b>89,588</b>	<b>3,841,884</b>
<b>Capital assets being depreciated:</b>			
Buildings	913,640	568,472	1,482,112
Machinery & Equipment	444,523	552,613	997,136
<b>Total capital assets being depreciated</b>	<b>1,358,163</b>	<b>1,121,085</b>	<b>2,479,248</b>
Less accumulated depreciation	646,052	486,064	1,132,116
<b>Total capital assets being depreciated, net</b>	<b>712,111</b>	<b>635,021</b>	<b>1,347,132</b>
<b>Capital assets, net</b>	<b>\$ 4,464,407</b>	<b>\$ 724,609</b>	<b>\$ 5,189,016</b>

The most significant change in accounting for capital assets during the year resulted from the inclusion of infrastructure assets. As allowed by GASB Statement No. 34, the State has adopted the modified approach to reporting roadway and bridge infrastructure assets. Under the modified approach, the State expenses maintenance and preservation costs and does not report depreciation expense. As also allowed by GASB Statement 34, the State has elected to phase in the reporting of infrastructure. The cost of infrastructure reported this year represents only the amount of infrastructure capitalized in the current year. The cost reported as Infrastructure Construction in Progress represents road and bridge construction projects not yet complete. The amount of infrastructure completed and capitalized in previous years is not expected to be reported until next year.

Extensive project documentation is required to meet various federal and state guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

Roadway assets accounted for under the modified approach included approximately 10,840 miles of State maintained highways. The State maintains an asset management system to measure and monitor the condition of those highways. The State expects to maintain the roads at a rating within the range of 55-70, which is considered "satisfactory," meaning that only routine type patching and sealing maintenance is required. The measured average rating of the roadways in the most recent condition assessment actually exceeded the state's goal, with an average rating was 79.7.

The State maintains 5,583 bridges and culverts. The State expects those bridges to be maintained at a rating within the range of 5 - 6.99, which is considered "satisfactory," meaning the structural elements are sound but have minor deterioration. The actual average rating for the most recent condition assessment was 6.99, in the upper end of the satisfactory range.

## STATE OF ALABAMA

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More detailed information about the State's capital assets is presented in Note 3 to the financial statements and in the Required Supplementary Information section.

### Long-term Debt

The only method under which general obligation debt can be incurred is by amendment to the *Constitution*. The debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Some of these corporations are blended with the primary government and some are reported discretely. The State and its component units issue serial and term bonds and capital appreciation bonds. Alabama has traditionally received high bond ratings from both Standard and Poor's Corporation and Moody's Investors Service.

Outstanding Bonded Debt as of September 30, 2002  
(Amounts in Thousands)

	Governmental Activities	Business-type Activities	Total Primary Government
General obligation bonds	\$ 535,079		\$ 535,079
Revenue bonds	386,890	299,508	686,398
Total	<u>\$ 921,969</u>	<u>\$ 299,508</u>	<u>\$ 1,221,477</u>

During fiscal year 2002, the State issued general obligation bonds in the amount of \$140 million. The Alabama Federal Aid Highway Authority and the State Port Authority issued revenue bonds in the amounts of \$200 million and \$18 million, respectively. More detailed information regarding the State's long-term debt is presented in Note 4 to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

As with the national economy, the slowdown in the State's economy that began with the manufacturing sector is now affecting the remaining sectors. The State's manufacturing employment has decreased each year since 1996. Since 2001, employment has decreased in construction, retail, wholesale trade, and some service-related industries in Alabama. In 2002 the State lost 19,300 jobs, but productivity increases resulted in output growth.

Total Alabama employment is expected to increase in 2003 because of the many new jobs created as a result of the recent successful recruitment of automotive and related industries, but if business spending on capital goods remains weak, employment may not increase. The unreserved fund balance in the General Fund along with several one time funding sources will be used to make it through the 2003 fiscal year. Further out, the General Fund and Education Trust Fund revenues for fiscal year 2004 are expected to be approximately \$500 million less than fiscal year 2002. The Governor has ordered agencies to cut personnel costs by 5 percent, ordered a moratorium on annual merit raises, reduced the per diem rate, ordered a reassessment of the need of the State's 7,900 vehicles, and is making changes in the purchasing process. The Governor is also working on new revenue raising proposals in the 2003 special legislative session.

### Requests for Information

This financial report is designed to provide a general overview of the State of Alabama's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Office of the State Comptroller, Financial Reporting Section, RSA Union, Suite 206, Montgomery, AL 36130-2602.



**STATE OF ALABAMA**

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**FINANCIAL SECTION**

**Basic Financial Statements**

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# STATE OF ALABAMA

## STATEMENT OF NET ASSETS

September 30, 2002

(Amounts in Thousands)

	Total			
	Governmental Activities		Business-type Activities	
	Primary Government	Component Units		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,130,873	\$ 512,895	\$ 2,643,768	\$ 1,098,285
Investments	2,344,350	207,156	2,551,506	3,628,074
Accounts Receivable	52,247	44,393	96,640	346,819
Internal Balances	5,991	(5,991)	-	-
Due from Primary Government	-	-	-	13,631
Due from Component Units	2,117	48	2,165	-
Due from Other Governments	293,527	198	293,725	653,145
Taxes Receivable	283,471	-	283,471	2,706
Interest and Dividends Receivable	29,341	6,713	36,054	18,037
Mortgages, Notes, and Loans Receivable	34	-	34	488,657
Securities Lending Collateral	29,330	-	29,330	-
Inventory	22,684	37,766	60,450	31,077
Other Assets	5,932	35,142	41,074	135,051
Restricted Assets	-	-	-	4,061
Capital Assets, Net of Accumulated Depreciation	712,111	635,021	1,347,132	2,359,905
Capital Assets Not Being Depreciated	3,752,296	89,588	3,841,884	269,948
<b>TOTAL ASSETS</b>	<b>9,664,304</b>	<b>1,562,929</b>	<b>11,227,233</b>	<b>9,049,396</b>
<b>LIABILITIES</b>				
Warrants Payable	36,251	474	36,725	9,262
Accounts Payable	506,586	53,279	559,865	221,299
Salaries Payable	86,290	2,763	89,053	13,101
Interest Payable	20,757	-	20,757	34,258
Due to Primary Government	-	-	-	2,165
Due to Component Units	11,995	1,636	13,631	-
Due to Other Governments	150,906	2,872	153,778	122,102
Claims Payable	21,707	18,276	39,983	3,365
Securities Lending Obligation	29,330	-	29,330	-
Deferred Revenue	30,259	47,289	77,548	305,539
Insurance Claims Incurred But Not Reported	33,641	57,051	90,692	-
Amounts Held in Custody for Others	82,359	11,395	93,754	170,010
Noncurrent Liabilities:				
Due Within One Year	81,177	20,319	101,496	282,427
Due In More Than One Year	1,115,786	315,544	1,431,330	5,016,720
<b>TOTAL LIABILITIES</b>	<b>2,207,044</b>	<b>530,898</b>	<b>2,737,942</b>	<b>6,180,248</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	3,782,489	433,667	4,216,156	1,621,315
Restricted for:				
Permanent Trust - Expendable	-	69,139	69,139	437,503
Permanent Trust - Non-expendable	1,954,487	8,253	1,962,740	359,771
Unemployment Compensation Benefits	-	358,923	358,923	-
Educational Programs	367,375	-	367,375	-
Health Programs	37,847	-	37,847	-
Social Services	60,855	-	60,855	-
Transportation Programs	393,115	-	393,115	-
General Government	20,625	-	20,625	-
Debt Service	7,208	33,235	40,443	318,262
Other Purposes	236,956	35	236,991	2,092
Unrestricted	596,303	128,779	725,082	130,205
<b>TOTAL NET ASSETS</b>	<b>\$ 7,457,260</b>	<b>\$ 1,032,031</b>	<b>\$ 8,489,291</b>	<b>\$ 2,869,148</b>

The Notes to the Financial Statements are an integral part of this statement.



# STATE OF ALABAMA

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
Economic Development and Regulation	\$ 66,434	\$ 45,844	\$ 7,836	\$ -
Education and Cultural Resources	4,497,422	10,032	580,211	572
Natural Resources and Recreation	92,699	71,967	13,533	210
Health - Physical and Mental	4,153,516	298,748	3,183,751	-
Social Services	1,418,462	111,610	1,028,033	36
Protection of Persons and Property	644,681	162,981	94,293	535
Transportation	847,240	148,339	21,838	788,148
General Government	488,955	151,208	90,371	-
Distributions to Local Governments	378,405	35,630	2,296	-
Capital Outlay	19,745	152,421	2,505	-
Debt Service - Principal Retirement	4,619	7,202	4,014	11,244
Debt Service - Interest and Other Charges	117,261	8,311	1,544	1,473
<b>Total Governmental Activities</b>	<b>12,729,439</b>	<b>1,204,293</b>	<b>5,030,225</b>	<b>802,218</b>
Business-type Activities				
Unemployment Compensation	404,133	191,825	75,544	-
State Port Authority	66,988	59,832	-	6,534
Alabama College System	533,846	123,472	189,588	6,426
Alcoholic Beverage Control Board	170,550	184,182	-	-
Nonmajor Proprietary Funds	696,076	709,967	113	-
<b>Total Business-type Activities</b>	<b>1,871,593</b>	<b>1,269,278</b>	<b>265,245</b>	<b>12,960</b>
<b>Total Primary Government</b>	<b>14,601,032</b>	<b>2,473,571</b>	<b>5,295,470</b>	<b>815,178</b>
<b>Component Units:</b>				
Public School and College Authority	367,411	-	-	-
Mental Health	550,063	255,163	43,675	-
Housing Finance Authority	80,893	27,451	-	-
Water Pollution Control Authority	41,008	18,029	7,236	-
University of Alabama	1,814,278	996,987	411,609	59,204
Auburn University	525,122	225,606	98,906	19,663
University of South Alabama	446,294	317,021	59,978	14,293
Nonmajor Component Units	799,592	371,194	145,993	10,777
<b>Total Component Units</b>	<b>4,624,661</b>	<b>2,211,451</b>	<b>767,397</b>	<b>103,937</b>
<b>General Revenues:</b>				
Taxes:				
Sales and Use Taxes				
Income Taxes				
Motor Fuels Taxes				
Utility Taxes				
Insurance Premium Tax				
Property Tax				
Liquor Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Contributions to Permanent Funds				
Payments from State of Alabama				
Transfers				
Extraordinary Items				
<b>Total General Revenues, Special Items, and Transfers</b>				
<b>Change in Net Assets</b>				
Net Assets, October 1, 2001, as Restated				
<b>Net Assets, September 30, 2002</b>				

The Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets					
		Total			
Governmental Activities	Business-type Activities	Primary Government	Component Units		
\$	\$	\$	\$	\$	\$
(12,754)	-	(12,754)		-	
(3,906,607)	-	(3,906,607)		-	
(6,989)	-	(6,989)		-	
(671,017)	-	(671,017)		-	
(278,783)	-	(278,783)		-	
(386,872)	-	(386,872)		-	
111,085	-	111,085		-	
(247,376)	-	(247,376)		-	
(340,479)	-	(340,479)		-	
135,181	-	135,181		-	
17,841	-	17,841		-	
(105,933)	-	(105,933)		-	
(5,692,703)	0	(5,692,703)		0	
-	(136,764)	(136,764)		-	
-	(622)	(622)		-	
-	(214,360)	(214,360)		-	
-	13,632	13,632		-	
-	14,004	14,004		-	
0	(324,110)	(324,110)		0	
(5,692,703)	(324,110)	(6,016,813)		0	
-	-	-	(367,411)		
-	-	-	(251,225)		
-	-	-	(53,442)		
-	-	-	(15,743)		
-	-	-	(346,478)		
-	-	-	(180,947)		
-	-	-	(55,002)		
-	-	-	(271,628)		
0	0	0	(1,541,876)		
1,606,149	-	1,606,149		53,647	
2,049,460	-	2,049,460		-	
510,342	-	510,342		-	
378,983	-	378,983	92,387		
218,712	-	218,712	4,736		
340,557	-	340,557	-		
111,611	7,440	119,051	9,875		
7,018	112,684	119,702	95,357		
114,191	27,253	141,444	101,576		
811,940	2,045	813,985	69,615		
680	174	854	19,078		
-	-	-	1,069,360		
(216,423)	216,423	-	-		
-	-	-	(664)		
5,933,220	366,019	6,299,239	1,514,967		
240,517	41,909	282,426	(26,909)		
7,216,743	990,122	8,206,865	2,896,057		
\$ 7,457,260	\$ 1,032,031	\$ 8,489,291	\$ 2,869,148		

# STATE OF ALABAMA

## BALANCE SHEET Governmental Funds

September 30, 2002

(Amounts in Thousands)

	Education					Public
	General Fund	Trust Fund	Alabama Trust	Medicaid Fund	Road and Bridge Fund	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 154,464	\$ 55,402	\$ 70,675	\$ 5,175	\$ 534,610	
Investments	-	-	2,062,880	-	25,000	
Accounts Receivable	1	-	25,770	-	-	
Due from Other Funds	3,638	376	-	1,276	151	
Due from Component Units	-	-	-	73	-	
Due from Other Governments	-	-	-	183,330	22,869	
Taxes Receivable	108,464	66,036	-	-	-	
Interest and Dividends Receivable	-	-	16,598	-	-	
Mortgages, Notes, and Loans Receivable	-	-	-	-	-	
Securities Lending Collateral	-	-	29,330	-	-	
Inventory	2,212	-	-	-	14,472	
Other Assets	8	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 268,787</b>	<b>\$ 121,814</b>	<b>\$ 2,205,253</b>	<b>\$ 189,854</b>	<b>\$ 597,102</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants Payable	\$ 2,492	\$ 11,946	\$ 2	\$ 177	\$ 5,751	
Accounts Payable	8,256	14,959	41	246,279	113,233	
Salaries Payable	27,948	4,033	-	1,008	10,383	
Due to Other Funds	5,307	7,618	35	2,071	1,908	
Due to Component Units	8	16	-	11,784	6	
Due to Other Governments	4,063	1,373	-	111	16,297	
Securities Lending Obligation	-	-	29,330	-	-	
Deferred Revenue	54,886	-	-	1	-	
Amounts Held in Custody for Others	13,476	5	-	-	19,773	
Compensated Absences	323	53	-	-	168	
<b>Total Liabilities</b>	<b>116,759</b>	<b>40,003</b>	<b>29,408</b>	<b>261,431</b>	<b>167,519</b>	
<b>Fund Balances</b>						
Reserved for:						
Encumbrances	1,875	3,648	-	592	163,857	
Inventory	2,212	-	-	-	14,472	
Highway Equipment Replacement	-	-	-	-	30,823	
Court Settlements	-	-	-	-	-	
Donor Restrictions	-	-	-	-	-	
Education Rainy Day Account	-	-	248,000	-	-	
Permanent Trust Principal	-	-	1,927,845	-	-	
Unreserved, Designated for Capital Projects	-	-	-	-	-	
Unreserved, Designated for Debt Service	-	-	-	-	-	
Unreserved, Undesignated, Reported in:						
General Fund	147,941	-	-	-	-	
Special Revenue Funds	-	78,163	-	(72,169)	220,431	
Permanent Funds	-	-	-	-	-	
<b>Total Fund Balances</b>	<b>152,028</b>	<b>81,811</b>	<b>2,175,845</b>	<b>(71,577)</b>	<b>429,583</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 268,787</b>	<b>\$ 121,814</b>	<b>\$ 2,205,253</b>	<b>\$ 189,854</b>	<b>\$ 597,102</b>	

The Notes to the Financial Statements are an integral part of this statement.

Public		Nonmajor		Total
Welfare	Trust	Governmental	Governmental	
Fund	Fund	Funds	Funds	
\$ 75,838		\$ 1,177,163	\$ 2,073,327	
-		58,421	2,146,301	
-		766	26,537	
5,482		22,048	32,971	
34		720	827	
-		87,328	293,527	
26,320		82,651	283,471	
-		129	16,727	
-		34	34	
-		-	29,330	
-		913	17,597	
-		3	11	
<b>\$ 107,674</b>		<b>\$ 1,430,176</b>	<b>\$ 4,920,660</b>	

\$ 897	\$ 8,863	\$ 30,128
37,650	76,359	496,777
11,584	29,920	84,876
6,151	16,729	39,819
110	4	11,928
1,600	126,976	150,420
-	-	29,330
21,731	72,904	149,522
5,210	39,745	78,209
298	276	1,118
<b>85,231</b>	<b>371,776</b>	<b>1,072,127</b>

3,701	22,834	196,507
-	913	17,597
-	-	30,823
-	9,350	9,350
-	33	33
-	-	248,000
-	26,642	1,954,487
-	498,935	498,935
-	9,249	9,249
-	-	147,941
18,742	488,321	733,488
-	2,123	2,123
<b>22,443</b>	<b>1,058,400</b>	<b>3,848,533</b>

<b>\$ 107,674</b>	<b>\$ 1,430,176</b>	<b>\$ 4,920,660</b>
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**STATE OF ALABAMA****RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS****September 30, 2002**

(Amounts in Thousands)

<b>Total Fund Balances for Governmental Funds</b>	\$3,848,533
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	113,197
Buildings	746,596
Equipment	381,549
Infrastructure	3,632,544
Historical Exhibits	2,735
Accumulated Depreciation	<u>(468,923)</u>
	4,407,698

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 35,110

Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 141,008

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 155,277

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Lease Obligations	(22,023)
Compensated Absences	(217,304)
Other Liabilities	<u>(19,628)</u>
	(258,955)

Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Assets.

This is the total effect of these balances on the statement.

General Obligation Bonds Payable	(533,106)
Notes Payable	(7,522)
Revenue Bonds Payable	(305,017)
Unamortized Premiums	(5,008)
Accrued Interest Payable	<u>(20,757)</u>
	(871,410)
<b>Net Assets of Governmental Activities</b>	<b><u>\$7,457,261</u></b>

*The Notes to the Financial Statements are an integral part of this statement.*



# STATE OF ALABAMA

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES Governmental Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	General Fund	Trust Fund	Alabama Trust	Medicaid Fund	Public Road and Bridge Fund
<b>REVENUES</b>					
Taxes	\$ 890,276	\$ 3,807,279	\$ -	\$ -	\$ 322,567
Licenses, Permits, and Fees	121,345	478	-	-	142,597
Fines, Forfeits, and Court Settlements	18,199	-	-	635	-
Investment Income	35,139	-	51,247	71	1,026
Federal Grants and Reimbursements	-	-	-	2,475,707	782,145
Other Revenues	29,664	49,410	147,131	621,170	26,747
<b>Total Revenues</b>	<b>1,094,623</b>	<b>3,857,167</b>	<b>198,378</b>	<b>3,097,583</b>	<b>1,275,082</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	7,625	-	-	-	-
Education and Cultural Resources	9,946	3,746,288	-	-	-
Natural Resources and Recreation	6,820	13	63	-	-
Health - Physical and Mental	381,134	34,750	-	3,277,925	-
Social Services	24,450	33,328	-	-	-
Protection of Persons and Property	342,430	37,427	-	-	-
Transportation	-	-	-	-	1,193,464
General Government	250,258	8,112	14	1	-
Distributions to Local Governments	-	-	-	-	-
Capital Outlay	-	340	19,242	-	-
Debt Service - Principal Retirement	18,424	1	-	-	15,938
Debt Service - Interest and Other Charges	3,621	3,279	-	-	2,067
<b>Total Expenditures</b>	<b>1,044,708</b>	<b>3,863,538</b>	<b>19,319</b>	<b>3,277,926</b>	<b>1,211,469</b>
Excess (Deficiency) of					
<b>Revenues Over (Under) Expenditures</b>	<b>49,915</b>	<b>(6,371)</b>	<b>179,059</b>	<b>(180,343)</b>	<b>63,613</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	134,041	34,240	21,463	87,003	34,455
Operating Transfers Out	(143,674)	(272,920)	(205,911)	(2,806)	(20,974)
Bond Proceeds	-	-	-	-	-
Capital Lease Proceeds	-	-	-	-	152
Other Debt Proceeds	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(9,633)</b>	<b>(238,680)</b>	<b>(184,448)</b>	<b>84,197</b>	<b>13,633</b>
Net Change in Fund Balances	<b>40,282</b>	<b>(245,051)</b>	<b>(5,389)</b>	<b>(96,146)</b>	<b>77,246</b>
Fund Balances, October 1, 2001, as Restated	111,956	326,862	2,181,234	24,569	353,205
Increase (Decrease) in Inventory	(210)	-	-	-	(868)
<b>Fund Balances, September 30, 2002</b>	<b>\$ 152,028</b>	<b>\$ 81,811</b>	<b>\$ 2,175,845</b>	<b>\$ (71,577)</b>	<b>\$ 429,583</b>

The Notes to the Financial Statements are an integral part of this statement.

Public Welfare		Nonmajor Governmental	Total Governmental
Trust Fund	Fund		
\$ 100,955	\$ 578,305	\$ 5,699,382	
344	232,427	497,191	
-	15,759	34,593	
80	12,564	100,127	
768,641	1,295,481	5,321,974	
100,725	360,336	1,335,183	
<b>970,745</b>	<b>2,494,872</b>	<b>12,988,450</b>	
-	58,737	66,362	
-	746,073	4,502,307	
-	88,456	95,352	
-	456,937	4,150,746	
1,040,726	313,385	1,411,889	
-	230,256	610,113	
-	22,924	1,216,388	
332	243,279	501,996	
-	378,404	378,404	
-	19,401	38,983	
3,872	25,481	63,716	
1,791	76,144	86,902	
<b>1,046,721</b>	<b>2,659,477</b>	<b>13,123,158</b>	
(75,976)	(164,605)	(134,708)	
74,309	327,265	712,776	
(22,405)	(248,962)	(917,652)	
-	345,708	345,708	
1,447	449	2,048	
-	4,696	4,696	
<b>53,351</b>	<b>429,156</b>	<b>147,576</b>	
(22,625)	<b>264,551</b>	<b>12,868</b>	
45,068	793,252	3,836,146	
-	597	(481)	
<b>\$ 22,443</b>	<b>\$ 1,058,400</b>	<b>\$ 3,848,533</b>	

# STATE OF ALABAMA

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

September 30, 2002

(Amounts in Thousands)

### Net Change in Fund Balances for Governmental Funds \$12,868

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	453,034	
Depreciation Expense	<u>(51,176)</u>	
		401,858

In the Statement of Activities, only the gain (loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (5,093)

Some capital additions were financed through capital leases. In the governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (2,047)

In the Statement of Activities, the change in the balance of inventories is expensed, whereas in the governmental funds, the change in the balance of inventories is adjusted to reserved fund balance. (481)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 176,119

Internal service funds are used by management to charge the costs of certain activities, such as insurance and information technology, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (11,154)

Long-term debt proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets. This is the amount proceeds exceed repayments.

Proceeds and premiums received	(345,708)	
Repayment of principal	16,965	
Principal paid on refunding bonds	37,810	
Accrued interest	<u>(22,629)</u>	
		(313,562)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

Capital lease payments	4,327	
Compensated absences payments	(20,536)	
Litigation payments	2,000	
Other debt payments	<u>914</u>	
		(13,295)

Other debt proceeds are considered other financing sources in the governmental funds, but in the statement of net assets they are reported as liabilities. (4,696)

### Change in Net Assets of Governmental Activities \$240,517

*The Notes to the Financial Statements are an integral part of this statement.*



# STATE OF ALABAMA

## STATEMENT OF NET ASSETS Proprietary Funds

**September 30, 2002**

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Authority	Alabama College System	Beverage Control Board	Alcoholic Enterprise Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 362,694	\$ 12,158	\$ 107,274	\$ 13,467	\$ 17,302
Investments, Short-term	-	11,222	50,402	-	90,425
Accounts Receivable	-	7,262	32,604	851	3,676
Interest and Dividends Receivable	6,080	120	-	-	513
Due from Other Funds	-	-	-	11	119
Due from Component Units	-	-	-	48	-
Due from Other Governments	8	-	-	-	190
Inventory	-	3,164	8,016	17,196	9,390
Other Current Assets	-	1,017	14,953	-	320
<b>Total Current Assets</b>	<b>368,782</b>	<b>34,943</b>	<b>213,249</b>	<b>31,573</b>	<b>121,935</b>
<b>Noncurrent Assets</b>					
Investments, Long-term	-	25,270	10,989	-	18,848
Other Noncurrent Assets	-	6,794	12,058	-	-
Capital Assets, (Net of Accumulated Depreciation)	-	319,224	398,120	1,201	6,064
<b>Total Noncurrent Assets</b>	<b>0</b>	<b>351,288</b>	<b>421,167</b>	<b>1,201</b>	<b>24,912</b>
<b>TOTAL ASSETS</b>	<b>368,782</b>	<b>386,231</b>	<b>634,416</b>	<b>32,774</b>	<b>146,847</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Warrants Payable	-	-	-	419	55
Accounts Payable	7,261	6,403	15,331	21,513	2,773
Salaries Payable	-	848	-	1,688	227
Due to Other Funds	115	-	-	5,714	292
Due to Component Units	-	-	-	1,632	4
Due to Other Governments	2,046	-	-	821	5
Deferred Revenue	-	-	39,023	78	3,014
Funds Held in Escrow	426	-	2,411	4	8,542
Compensated Absences	-	2,935	2,863	42	16
Claims Payable	-	-	-	-	18,276
Insurance Claims Incurred But Not Reported	-	-	-	-	57,051
Notes Payable	-	-	391	-	88
Revenue Bonds Payable	-	5,005	7,039	-	-
Capital Leases	-	1,036	903	-	-
<b>Total Current Liabilities</b>	<b>9,848</b>	<b>16,227</b>	<b>67,961</b>	<b>31,911</b>	<b>90,343</b>
<b>Long-term Liabilities</b>					
Deferred Revenue, Noncurrent	-	5,174	-	-	-
Compensated Absences	-	-	9,573	5,065	608
Notes Payable	-	-	2,727	-	1,286
Revenue Bonds Payable	-	185,116	102,347	-	-
Capital Leases Payable	-	1,746	4,170	-	-
Other Long-term Liabilities	11	2,906	-	-	-
<b>Total Long-term Liabilities</b>	<b>11</b>	<b>194,942</b>	<b>118,817</b>	<b>5,065</b>	<b>1,894</b>
<b>TOTAL LIABILITIES</b>	<b>9,859</b>	<b>211,169</b>	<b>186,778</b>	<b>36,976</b>	<b>92,237</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	-	139,533	286,869	1,201	6,064
Restricted for:					
Permanent Trust - Expendable	-	-	69,139	-	-
Permanent Trust - Non-expendable	-	-	8,253	-	-
Unemployment Compensation Benefits	358,923	-	-	-	-
Debt Service	-	33,235	-	-	-
Other Purposes	-	-	-	-	35
Unrestricted	-	2,294	83,377	(5,403)	48,511
<b>TOTAL NET ASSETS</b>	<b>\$ 358,923</b>	<b>\$ 175,062</b>	<b>\$ 447,638</b>	<b>\$ (4,202)</b>	<b>\$ 54,610</b>

The Notes to the Financial Statements are an integral part of this statement.

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Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 512,895	\$ 57,546
152,049	67,867
44,393	1,503
6,713	1,595
130	15,777
48	1,361
198	-
37,766	5,087
16,290	4,987
<b>770,482</b>	<b>155,723</b>
55,107	130,182
18,852	934
724,609	56,710
<b>798,568</b>	<b>187,826</b>
<b>1,569,050</b>	<b>343,549</b>
474	6,123
53,281	9,617
2,763	1,414
6,121	3,078
1,636	76
2,872	486
42,115	21,746
11,383	4,150
5,856	9
18,276	21,707
57,051	33,641
479	-
12,044	895
1,939	1,633
<b>216,290</b>	<b>104,575</b>
5,174	-
15,246	3,874
4,013	-
287,463	77,943
5,916	1,880
2,917	-
<b>320,729</b>	<b>83,697</b>
<b>537,019</b>	<b>188,272</b>
433,667	(26,608)
69,139	-
8,253	-
358,923	-
33,235	-
35	9,531
128,779	172,354
<b>\$ 1,032,031</b>	<b>\$ 155,277</b>

# STATE OF ALABAMA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS Proprietary Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Alcoholic				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Beverage Control Board	Nonmajor Enterprise Funds
<b>OPERATING REVENUES</b>					
Charges for Goods and Services	\$ -	\$ 59,832	\$ 123,472	\$ 182,239	\$ 20,174
Investment Earnings	-	-	-	-	(1,141)
Premiums and Contributions	182,947	-	-	-	680,814
Rents and Leases	-	-	-	-	487
Sale of Land, Timber, and Minerals	-	-	-	-	29
<b>Total Operating Revenues</b>	<b>182,947</b>	<b>59,832</b>	<b>123,472</b>	<b>182,239</b>	<b>700,363</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages, and Benefits	-	-	306,548	27,767	3,506
Utilities and Communications	-	-	13,872	1,543	288
Professional Services	-	-	-	1,517	1,369
Supplies, Materials, and Operating Expenses	-	-	127,311	131,836	7,122
Interest	-	-	4,513	-	-
Depreciation	-	12,662	18,990	694	481
Claims and Benefits	398,190	-	-	-	673,905
Operations and Maintenance	-	33,295	-	-	-
General and Administrative	-	9,055	-	-	-
Other	-	-	62,613	7,192	9,346
<b>Total Operating Expenses</b>	<b>398,190</b>	<b>55,012</b>	<b>533,847</b>	<b>170,549</b>	<b>696,017</b>
<b>Operating Income (Loss)</b>	<b>(215,243)</b>	<b>4,820</b>	<b>(410,375)</b>	<b>11,690</b>	<b>4,346</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Taxes	-	-	-	7,435	8,175
Investment Income	22,915	1,662	3,672	(3)	148
Other Nonoperating Revenues	196,500	-	192,078	2,107	405
Interest Expense	-	(11,129)	-	-	(60)
Other Nonoperating Expenses	(5,944)	(846)	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>213,471</b>	<b>(10,313)</b>	<b>195,750</b>	<b>9,539</b>	<b>8,668</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>(1,772)</b>	<b>(5,493)</b>	<b>(214,625)</b>	<b>21,229</b>	<b>13,014</b>
Capital Contributions	-	6,534	6,426	-	-
Additions to Endowments	-	-	174	-	-
Operating Transfers In	-	-	249,404	615	699
Operating Transfers Out	(10,348)	(18)	-	(21,219)	(2,712)
<b>Increase (Decrease) in Net Assets</b>	<b>(12,120)</b>	<b>1,023</b>	<b>41,379</b>	<b>625</b>	<b>11,001</b>
Total Net Assets, October 1, 2001, as Restated	371,043	174,039	406,259	(4,827)	43,609
<b>Total Net Assets, September 30, 2002</b>	<b>\$ 358,923</b>	<b>\$ 175,062</b>	<b>\$ 447,638</b>	<b>\$ (4,202)</b>	<b>\$ 54,610</b>

The Notes to the Financial Statements are an integral part of this statement.

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Governmental Activities

Total Enterprise Funds	Internal Service Funds
\$ 385,717	\$ 73,488
(1,141)	3,851
863,761	264,492
487	14,876
29	-
<b>1,248,853</b>	<b>356,707</b>
337,821	23,039
15,703	19,140
2,886	14,245
266,269	30,048
4,513	5,547
32,827	8,908
1,072,095	244,605
33,295	-
9,055	-
79,151	13,025
<b>1,853,615</b>	<b>358,557</b>
<b>(604,762)</b>	<b>(1,850)</b>
15,610	-
28,394	407
391,090	2,013
(11,189)	(92)
(6,790)	-
<b>417,115</b>	<b>2,328</b>
<b>(187,647)</b>	<b>478</b>
12,960	-
174	-
250,718	10,155
(34,297)	(21,787)
<b>41,908</b>	<b>(11,154)</b>
<b>990,123</b>	<b>166,431</b>
<b><u>\$ 1,032,031</u></b>	<b><u>\$ 155,277</u></b>

# STATE OF ALABAMA

## STATEMENT OF CASH FLOWS Proprietary Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Unemployment Compensation Trust	State Authority	Alabama College System	Beverage Control Board	Alcoholic Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customer & User Charges	-	58,327	98,880	175,021	710,464
Receipts from Interfund Services	-	-	-	-	581
Receipts from Operating Grants	71,795	-	187,528	-	-
Receipts from Interfund Reimbursements	3,685	-	-	-	8
Receipts from Other Operating Activities	194,168	5,973	14,179	9,376	1,391
Payments for Goods Held for Resale	-	-	(20)	(127,692)	(6,429)
Payments for Other Goods & Services	-	(29,735)	(128,051)	(11,292)	(35,165)
Payments for Employees Services	-	(13,737)	(305,789)	(27,391)	(3,510)
Payments for Taxes, Fines, Penalties, & Similar Fees	(7,593)	-	-	-	-
Payments for Interfund Services	-	-	-	(773)	(158)
Payments for Other Operating Activities	(397,999)	-	(63,918)	(1,674)	(1,354)
Payments for Claims	-	-	-	-	(639,775)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(135,944)</b>	<b>20,828</b>	<b>(197,191)</b>	<b>15,575</b>	<b>26,053</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Receipts from Noncapital Financing Grants & Donations	115,828	6,534	255,306	-	-
Transfers from Other Funds for Noncapital Financing	-	-	-	386	699
Receipts from Noncapital Financing Taxes	8,878	-	-	-	-
Payments for Noncapital Financing Grants & Donations	(3,748)	-	(3,993)	-	-
Transfers to Other Funds for Noncapital Financing	(10,155)	-	-	(21,219)	(2,512)
<b>Net Cash Provided By (Used In)</b>	<b>110,803</b>	<b>6,534</b>	<b>251,313</b>	<b>(20,833)</b>	<b>(1,813)</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>					
Proceeds from Revenue Bonds & Other Capital Debt	-	17,346	7,325	-	20
Receipts from Capital Grants & Contributions	-	-	5,610	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	42	1,112	35	1
Payments to Acquire, Construct, & Improve Capital Assets	-	(14,777)	(24,443)	(402)	(112)
Principal Paid on Revenue Bonds & Other Capital Debt	-	(5,828)	(5,370)	-	(66)
Interest Paid on Revenue Bonds & Other Capital Debt	-	(11,129)	(5,240)	-	(60)
<b>Net Cash Provided by (Used in)</b>	<b>0</b>	<b>(14,346)</b>	<b>(21,006)</b>	<b>(367)</b>	<b>(217)</b>
<b>Cash Flows From Investing Activities</b>					
Receipts from Sales & Maturities of Investments	-	9,942	38,576	-	938,117
Receipts from Interest & Dividends on Investments & Loans	16,835	3,157	3,993	-	3,840
Purchase of Investments	-	(22,560)	(44,453)	-	(962,467)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>16,835</b>	<b>(9,461)</b>	<b>(1,884)</b>	<b>0</b>	<b>(20,510)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(8,306)</b>	<b>3,555</b>	<b>31,232</b>	<b>(5,625)</b>	<b>3,513</b>
Cash Balance, October 1, 2001	370,478	6,108	68,154	18,673	13,734
Restatements	522	2,495	7,888	-	-
<b>Cash Balance, September 30, 2002</b>	<b>362,694</b>	<b>12,158</b>	<b>107,274</b>	<b>13,048</b>	<b>17,247</b>
Add: Warrants Payable	-	-	-	419	55
<b>Cash and Cash Equivalents, as Reported on Balance Sheet</b>	<b>\$ 362,694</b>	<b>\$ 12,158</b>	<b>\$ 107,274</b>	<b>\$ 13,467</b>	<b>\$ 17,302</b>

The Notes to the Financial Statements are an integral part of this statement.

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Governmental Activities

Total Enterprise Funds	Internal Service Funds
1,042,692	8,145
581	343,683
259,323	-
3,693	-
225,087	10,941
(134,141)	(17,180)
(204,243)	(54,049)
(350,427)	(22,828)
(7,593)	(5,383)
(931)	(4,824)
(464,945)	(12,775)
(639,775)	(233,754)
<b>(270,679)</b>	<b>11,976</b>
377,668	-
1,085	8,876
8,878	-
(7,741)	-
(33,886)	(20,466)
<b>346,004</b>	<b>(11,590)</b>
24,691	46,147
5,610	-
1,190	37
(39,734)	(4,430)
(11,264)	(62,547)
(16,429)	(5,173)
<b>(35,936)</b>	<b>(25,966)</b>
986,635	691,317
27,825	7,929
(1,029,480)	(711,695)
<b>(15,020)</b>	<b>(12,449)</b>
<b>24,369</b>	<b>(38,029)</b>
477,147	89,452
10,905	-
<b>512,421</b>	<b>51,423</b>
<b>474</b>	<b>6,123</b>
<b>\$ 512,895</b>	<b>\$ 57,546</b>

*Continued on next page...*

# STATE OF ALABAMA

## STATEMENT OF CASH FLOWS

### Proprietary Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Business-type Activities – Enterprise Funds				
	Alcoholic				
	Unemployment Compensation Trust	State Port Authority	Alabama College System	Beverage Control Board	Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
<b>Operating Income (Loss)</b>	<b>(215,243)</b>	<b>4,820</b>	<b>(410,375)</b>	<b>11,690</b>	<b>4,346</b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	(8)	4,451	(3,562)	(133)	151
Due from Other Funds	-	-	-	234	(108)
Due From Other Governments	-	-	-	-	(46)
Inventory	-	175	(209)	(2,148)	(323)
Other Assets	-	(35)	10,871	-	791
Equipment	-	-	-	11	-
Accounts Payable	7,110	845	(6,732)	1,866	287
Salaries Payable	-	-	74	198	27
Due to Other Funds	-	-	-	(6,279)	93
Due to Other Governments	-	-	-	(96)	-
Amounts Held Pending Distribution	-	-	-	-	(165)
Deferred Revenue	-	-	(147)	-	1,265
Insurance Claims IBNR	-	-	-	-	6,393
Amounts Held in Custody for Others	402	-	1,012	2	-
Compensated Absences	-	-	758	186	(32)
Other Liabilities	-	(2,125)	(20)	-	3,504
Investment Income	-	-	-	(3)	1,141
Operating Interest Expense	-	-	-	-	-
Depreciation	-	12,662	18,990	694	481
Nonoperating Revenues	71,795	-	192,149	9,353	8,439
Nonoperating Expenses	-	35	-	-	(191)
Total Adjustments	79,299	16,008	213,184	3,885	21,707
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (135,944)</b>	<b>\$ 20,828</b>	<b>\$ (197,191)</b>	<b>\$ 15,575</b>	<b>\$ 26,053</b>

### Noncash Investing, Capital, and Financing Activities

Increase (Decrease):

Transfers, Donations, and Other Additions to Capital Assets	-	-	-	886	349
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	(1,379)	(450)
Interest Accruals and Other Adjustments	-	-	-	(3)	(495)
Unrealized Gains (losses) in Investment Fair Value	-	-	-	-	5,329
Investment Accruals and Other Adjustments	-	-	-	-	(4,856)
Operating Transfers In (out)	-	-	-	(414)	9

The Notes to the Financial Statements are an integral part of this statement.

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Governmental Activities

Total Enterprise Funds	Internal Service Funds
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(604,762)	(1,850)
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899	(78)
126	6,631
(46)	-
(2,505)	(763)
11,627	(2,097)
11	-
3,376	3,500
299	183
(6,186)	(1,092)
(96)	(5,383)
(165)	-
1,118	(7,094)
6,393	2,577
1,416	66
912	149
1,359	5,437
1,138	(3,851)
-	5,547
32,827	8,908
281,736	1,186
(156)	-
334,083	13,826

<u>\$ (270,679)</u>	<u>\$ 11,976</u>
---------------------	------------------

1,235	11,752
(1,829)	(9,138)
(498)	(750)
5,329	788
(4,856)	(66)
(405)	(9)

# STATE OF ALABAMA

## STATEMENT OF FIDUCIARY NET ASSETS Fiduciary Funds

September 30, 2002

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds	Agency Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 64,400	\$ 21,874	\$ 245,708
Investments (Note 11, 3)			
Time Deposits	-	132	5,651
U.S. Treasury Securities	52,437	30,798	22,581
U.S. Agency Securities	1,140,707	36,909	-
State and Local Government Securities	-	1,100	4,600
Mortgage Backed Securities	451,552	30,051	5,709
Corporate Stocks	7,436,755	288,953	200
Corporate Bonds	7,563,892	76,152	3,400
Real Estate	1,335,064	840	-
Commercial Paper	657,489	101	850
International Stocks	1,484,332	-	-
International Bonds	128,518	-	-
Mutual and Money Market Funds	620,050	448	-
Other	332,656	181	-
Receivables			
Accounts Receivable	187	105	8
Due from Other Funds	-	37	147
Due from Primary Government	9	-	-
Due from Component Units	2	-	-
Employer Contributions Receivable	28,204	-	-
Member Contributions Receivable	26,610	-	-
Interest and Dividends Receivable	271,205	2,508	-
Securities Lending Collateral	1,182,769	-	-
Capital Assets, Net of Accumulated Depreciation	3,969	3	-
Capital Assets Not Being Depreciated	1,190	-	-
<b>TOTAL ASSETS</b>	<b>22,781,997</b>	<b>490,192</b>	<b>288,854</b>
<b>LIABILITIES</b>			
Warrants Payable	\$ 31,618	\$ 391	\$ 29,000
Accounts Payable	1,035	1,172	452
Salaries Payable	827	21	-
Due to Other Funds	2	42	-
Due to Primary Government	70	-	-
Due to Component Units	2	-	-
Due to Other Governments	-	-	10,338
Securities Lending Obligation	1,182,769	-	-
Deferred Revenue	1,157	-	-
Amounts Held in Custody for Others	1	-	249,064
Compensated Absences	2,154	58	-
<b>TOTAL LIABILITIES</b>	<b>1,219,635</b>	<b>1,684</b>	<b>288,854</b>
<b>NET ASSETS</b>			
Held in Trust for Beneficiaries	-	488,508	-
Held in Trust for Pension and Other Employee Benefits	21,562,362	-	-
<b>TOTAL NET ASSETS</b>	<b>\$ 21,562,362</b>	<b>\$ 488,508</b>	<b>\$ 0</b>

*The Notes to the Financial Statements are an integral part of this statement.*

# STATE OF ALABAMA

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS Fiduciary Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private- Purpose Trust Funds
<b>ADDITIONS</b>		
Contributions:		
Employee	\$ 432,942	\$ -
Employer	398,038	-
Participants	-	35,591
Total Contributions	<u>830,980</u>	<u>35,591</u>
Investment Earnings		
Investment Interest and Dividends	1,033,664	16,562
Net Increase (Decrease) in Fair Value of Investments	(2,967,830)	(74,630)
Securities Lending Income	22,302	-
Total Investment Earnings	<u>(1,911,864)</u>	<u>(58,068)</u>
Less:		
Investment Expense	(7,054)	-
Securities Lending Interest and Fees	(17,751)	-
Net Investment Income	<u>(1,936,669)</u>	<u>(58,068)</u>
Other Additions		
Licenses and Fees	2,414	-
Miscellaneous	4,321	1,096
Operating Transfers In	380	-
Total Other Additions	<u>7,115</u>	<u>1,096</u>
<b>Total Additions</b>	<b>(1,098,574)</b>	<b>(21,381)</b>
<b>DEDUCTIONS</b>		
Benefit Payments	1,367,483	26,135
Return of Contributions	79	-
Administrative Expense	18,012	3,299
Operating Transfers Out	1	292
<b>Total Deductions</b>	<b>1,385,575</b>	<b>29,726</b>
<b>Changes in Net Assets</b>	<b>(2,484,149)</b>	<b>(51,107)</b>
Net Assets Held in Trust		
for Beneficiaries, October 1, 2001, as Restated	<u>24,046,511</u>	<u>539,615</u>
<b>Net Assets Held in Trust for Beneficiaries, September 30, 2002</b>	<b><u>\$ 21,562,362</u></b>	<b><u>\$ 488,508</u></b>

*The Notes to the Financial Statements are an integral part of this statement.*

# STATE OF ALABAMA

## STATEMENT OF NET ASSETS Component Units

September 30, 2002

(Amounts in Thousands)

	Public		Water	
	School and	Housing	Pollution	University
	College	Finance	Control	of
	Authority	Authority	Authority	Alabama
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 374,141	\$ 65,769	\$ 245	\$ 69,070
Investments	25,778	1	1,170,586	223,781
Accounts Receivable	-	-	-	25
Due from Primary Government	-	13,618	-	-
Due from Other Governments	-	3,154	-	536,139
Taxes Receivable	-	2,706	-	-
Interest and Dividends Receivable	-	-	9,044	3,950
Mortgages, Notes, and Loans Receivable	-	9	350,523	-
Inventory	-	2,350	-	16,403
Other Assets	-	-	10,702	8,518
Restricted Assets	-	-	-	1,167
Capital Assets, Net of Accumulated Depreciation	-	84,556	-	233
Capital Assets Not Being Depreciated	-	1,590	-	49,434
<b>TOTAL ASSETS</b>	<b>399,919</b>	<b>173,753</b>	<b>1,541,100</b>	<b>841,716</b>
				<b>3,420,162</b>
<b>LIABILITIES</b>				
Warrants Payable	6,588	2,478	-	2
Accounts Payable	-	9,489	1,860	16
Salaries Payable	-	9,231	-	-
Interest Payable	69	-	25,303	3,844
Due to Primary Government	-	1,402	-	646
Due to Other Governments	-	11,633	-	56,622
Claims Payable	-	-	-	-
Deferred Revenue	-	-	11,655	1,500
Amounts Held in Custody for Others	-	161	141,471	-
Compensated Absences	-	18,572	-	38,715
Other Liabilities	-	-	-	1,861
Notes and Mortgages Payable	-	-	12,850	-
Revenue Bonds Payable	1,492,919	49,725	1,161,302	582,444
Capital Lease Obligations	-	-	-	33,275
<b>TOTAL LIABILITIES</b>	<b>1,499,576</b>	<b>102,691</b>	<b>1,354,441</b>	<b>646,935</b>
				<b>1,149,803</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	-	36,421	-	233
Restricted for:				836,406
Permanent Trust - Expendable	-	-	-	-
Permanent Trust - Non-expendable	-	-	-	289,820
Debt Service	-	-	122,780	321,655
Other Purposes	-	-	-	-
Unrestricted	(1,099,657)	34,641	63,879	3,436
<b>TOTAL NET ASSETS</b>	<b>\$ (1,099,657)</b>	<b>\$ 71,062</b>	<b>\$ 186,659</b>	<b>\$ 822,478</b>
				<b>\$ 2,270,359</b>

*The Notes to the Financial Statements are an integral part of this statement.*

University		Nonmajor Component	Total Component
Auburn University	of South Alabama	Units	Units
\$ 813	\$ 71,015	\$ 326,338	\$ 1,098,285
505,539	30,795	165,891	3,628,074
23,924	37,244	72,973	346,819
-	-	13	13,631
-	-	113,852	653,145
-	-	-	2,706
3,575	-	1,468	18,037
40,029	5,407	39,657	488,657
3,481	-	8,843	31,077
9,557	19,136	39,103	135,051
-	740	2,154	4,061
329,101	186,842	416,332	2,359,905
60,611	29,547	128,766	269,948
<b>976,630</b>	<b>380,726</b>	<b>1,315,390</b>	<b>9,049,396</b>
-	-	194	9,262
34,150	35,900	18,361	221,297
2,382	-	1,488	13,101
3,398	-	1,644	34,258
-	-	118	2,166
-	-	27,072	122,102
-	-	3,365	3,365
75,028	13,046	70,255	305,539
1,145	-	6,531	170,010
18,269	10,483	8,157	94,196
19,100	-	11,078	38,314
1,164	8,992	12,326	40,791
204,526	99,259	725,388	5,078,589
2,572	3,725	7,686	47,258
<b>361,734</b>	<b>171,405</b>	<b>893,663</b>	<b>6,180,248</b>
256,574	109,957	381,724	1,621,315
97,526	22,931	27,226	437,503
15,366	5,969	16,781	359,771
-	-	4,370	318,262
-	-	2,092	2,092
245,430	70,464	(10,466)	130,205
<b>\$ 614,896</b>	<b>\$ 209,321</b>	<b>\$ 421,727</b>	<b>\$ 2,869,148</b>

# STATE OF ALABAMA

## STATEMENT OF ACTIVITIES

### Component Units

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Public		Water	
	School and College Authority	Housing Finance Authority	Pollution Control Authority	University of Alabama
Expenses	\$ 367,411	\$ 550,063	\$ 80,893	\$ 41,008
<b>Program Revenues</b>				
Charges for Services	-	255,163	27,451	18,029
Operating Grants and Contributions	-	43,675	-	7,236
Capital Grants and Contributions	-	-	-	59,204
<b>Total Program Revenues</b>	<b>0</b>	<b>298,838</b>	<b>27,451</b>	<b>25,265</b>
<b>Net (Expense) Revenue</b>	<b>(367,411)</b>	<b>(251,225)</b>	<b>(53,442)</b>	<b>(15,743)</b>
<b>General Revenues:</b>				
Taxes:				
Sales and Use Taxes	53,647	-	-	-
Utility Taxes	-	91,166	-	-
Insurance Premium Tax	-	4,736	-	-
Liquor Taxes	-	9,875	-	-
Grants and Contributions Not Restricted to Specific Programs	-	19	-	75,245
Investment Earnings	18,193	329	72,468	19,128
Miscellaneous	-	33,866	396	2,856
Contributions to Permanent Funds	-	-	-	12,546
Payments from State of Alabama	73,784	122,915	-	725
Extraordinary Items	-	-	(664)	-
<b>Total General Revenues, Special Items, and Transfers</b>	<b>145,624</b>	<b>262,906</b>	<b>72,200</b>	<b>22,709</b>
<b>Change in Net Assets</b>	<b>(221,787)</b>	<b>11,681</b>	<b>18,758</b>	<b>6,966</b>
Net Assets, October 1, 2001, as Restated	(877,870)	59,381	167,901	187,815
<b>Net Assets, September 30, 2002</b>	<b>\$ (1,099,657)</b>	<b>\$ 71,062</b>	<b>\$ 186,659</b>	<b>\$ 194,781</b>
				<b>\$ 2,270,359</b>

*The Notes to the Financial Statements are an integral part of this statement.*

Auburn University	of South Alabama	Nonmajor Component Units	Total Component Units
\$ 525,122	\$ 446,294	\$ 799,592	\$ 4,624,661
225,606	317,021	371,194	2,211,451
98,906	59,978	145,993	767,397
19,663	14,293	10,777	103,937
<b>344,175</b>	<b>391,292</b>	<b>527,964</b>	<b>3,082,785</b>
(180,947)	(55,002)	(271,628)	(1,541,876)
-	-	-	53,647
-	-	1,221	92,387
-	-	-	4,736
-	-	-	9,875
18,684	-	1,409	95,357
10,086	1,650	10,232	101,576
-	2,120	27,267	69,615
2,420	318	3,794	19,078
200,783	80,995	220,256	1,069,360
-	-	-	(664)
<b>231,973</b>	<b>85,083</b>	<b>264,179</b>	<b>1,514,967</b>
<b>51,026</b>	<b>30,081</b>	<b>(7,449)</b>	<b>(26,909)</b>
563,870	179,240	429,176	2,896,057
<b>\$ 614,896</b>	<b>\$ 209,321</b>	<b>\$ 421,727</b>	<b>\$ 2,869,148</b>

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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## **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present the State of Alabama (the primary government) and its component units. Component units are legally separate organizations ("public corporations") for which the primary government is financially accountable. Generally, the primary government is financially accountable if it appoints a voting majority of the organization's board and it can either 1) impose its will on the organization or 2) there is a financial benefit/burden relationship. If the primary government does not control the board, it may be financially accountable if the organization is fiscally dependent on the State. Organizations making up the primary government and its component units are summarized in the following paragraphs.

#### **1. Primary Government**

All State departments, agencies, elected officials, boards, commissions, authorities, committees, halls of fame, educational institutions, and other State organizations (hereafter referred to as "agencies") which are not legally separate are, for financial reporting purposes, part of the primary government. All agencies and funds that operate from within the State Treasury, except those listed later as component units, are part of the primary government. The following non-Treasury agencies operate largely independent of the control of the State Comptroller, Auditor, and Treasurer, but lack the corporate powers to make them legally separate and are therefore part of the primary government:

- Alabama College System (two-year schools)
- Alabama State Fire College
- Athens State College
- Aviation Hall of Fame
- Commercial Mobile Radio Service Board
- Dental Examiners Board
- Dental Scholarships Awards Board
- Gorgas Memorial Board
- Alabama Industrial Development and Training Institute
- Medical Examiners and Licensure Commission
- Medical Scholarships Awards Board
- Motor Sports Hall of Fame
- Optometric Scholarships Awards Board
- Optometry Board
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- School of Fine Arts
- Skills Centers
- State Port Authority
- State Safety Coordinating Committee
- Women's Hall of Fame

#### **2. Blended Component Units**

Blended component units are legally separate but they exist solely to provide services (usually financing) exclusively to the State. Because of this close relationship, they are blended with and reported as though they are a part of the primary government. All references in the financial statements or elsewhere in these notes to the term "primary government" will encompass both the primary government and the blended component units.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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The following blended component units were created for the purpose of financing capital expenditures for the State. Each issues revenue bonds that are limited obligations of the component unit. Their boards consist of State officials and specific State revenues that are pledged for bond repayment. Those marked with a † are currently inactive and have no financial balances or activity in the past fiscal year.

- Agriculture Markets and Coliseum Authority †
- Corrections Institution Finance Authority
- Federal Aid Highway Finance Authority
- Highway Authority †
- Industrial Access Road and Bridge Authority
- Judicial Building Authority
- Alabama Trade School and Junior College Authority †
- Public Health Care Authority
- Gulf State Park Authority †

The Building Renovation Finance Authority has the same characteristics as those in the previous paragraph, but has the added responsibility of operating, maintaining, and renting buildings in the capitol complex that are occupied by State departments.

The State Parks System Improvement Corporation renovates, improves, maintains, and constructs assets belonging to the State Parks System. The six members of the Corporation are State officials.

The Forensic Science Bond Authority has the power to acquire, construct, and equip laboratories and other facilities for the State Department of Forensic Sciences. The four members of the authority are State officials. The Authority had no financial activity in the past fiscal year.

The Alabama State Parking Deck Authority has the authority to sell bonds, operate, maintain, and rent out space in a parking deck on a block in the capitol complex. The Authority has remained inactive since the enabling legislation was passed.

The Educational Television Foundation Authority exists to receive, invest, and expend donated moneys for the purpose of promoting the growth and development of educational television. The Authority consists of thirteen members who are appointed by the Alabama Public Television Commission. As a non-profit public corporation, the Authority provides financing flexibility that the Commission, as part of the primary government, would not otherwise have.

### **3. Discretely Presented Component Units**

Discretely presented component units are organizations, which are legally separate and do not exist to provide services exclusively to the primary government. Providing services to the citizens of the State is not considered the same as providing services to the primary government institution. Financial information for discretely presented component units is segregated on the financial statements and the notes in the "Component Unit" columns in order to emphasize that they are legally separate.

Most of the discretely presented component units have boards that are controlled by the primary government through the appointment of a majority of the board members. The State has been determined to be financially accountable for each organization because it can impose its will on each organization. Unless otherwise noted, financial accountability for each organization described below exists at least in the ability of the State to modify the component unit's budget. Other manifestations of financial accountability may also exist.

For discretely presented component units whose boards are not controlled by the State, the organization has been determined to be fiscally dependent on the State. Unless otherwise noted, fiscal dependency exists at a minimum in the State's ability to modify the component unit's budget. Other manifestations of fiscal dependency may also exist.

When audited financial statements for a discretely presented component unit exist, the address at which such financial statements can be obtained is included in the following paragraphs describing each component unit. For all other discretely presented

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component units, complete financial statements may be obtained from the State of Alabama, Office of State Comptroller, RSA Union Building, Suite 206, Montgomery, AL 36130-2602.

The Water Pollution Control Authority operates a revolving loan fund to aid municipalities in financing the construction of wastewater treatment facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management at 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Alabama Drinking Water Finance Authority operates a revolving loan fund to aid local governments in financing the construction of sanitary drinking water facilities. A five-member board of directors made up of ex officio members governs the Authority. Audited financial statements of the Authority may be obtained from the Alabama Department of Environmental Management at 1400 Coliseum Boulevard, Montgomery, AL 36130.

The Department of Mental Health and Mental Retardation provides mental health and mental retardation services for the people of Alabama. The Governor of the State and the commissioner of the Department constitute a public corporation and are advised by a sixteen-member board of trustees. The commissioner and ten of the board members are appointed at the discretion of the Governor. The Mental Health Finance Authority exists to provide financing services to the Department, is therefore a blended component unit of the Department, and is included in all amounts reported for Mental Health.

The Crime Victims Compensation Commission awards compensation for economic losses arising from criminal conduct and works to change laws to benefit crime victims. The Commission consists of three members who are appointed by the Governor.

The Tennessee Valley Exhibit Commission operates a public exhibit based primarily on the history of and ongoing activities of the Tennessee Valley Authority and various other public entities involved in energy research and development. The sixteen-member Commission is appointed by the Governor.

The State Industrial Development Authority issues bonds and uses the proceeds to make grants to local industrial development boards. All members of the Authority are elected or appointed state officials.

The Alabama Education Foundation encourages donations of money for local school systems and invests the money for the benefit of each local system. The Foundation is governed by a twelve-member board that is made up of state officials and other individuals appointed by state authorities.

The Supercomputer Authority operates a supercomputer for the use of educational and governmental research institutions, private businesses, and individuals. The eleven directors of the Authority are appointed by state officials.

The boards of the four-year colleges of the State, except for the University of Alabama, are appointed by the State. Those colleges are: Alabama A&M University, Alabama State University, Auburn University, Jacksonville State University, University of Montevallo, University of West Alabama, University of North Alabama, University of South Alabama, and Troy State University. The University of Alabama board of trustees is not controlled by the State but the university is subject to budgetary control by the State.

Complete financial statements for those universities which are audited may be obtained at the following addresses: Associate Controller, University of South Alabama, AD 380, Mobile, AL 36688-0002; Office of the Vice President for Business and Finance, Alabama A&M University, P.O. Box 369, Normal, AL 35762; Vice-President for Financial Affairs, University of Alabama at Tuscaloosa, P.O. Box 870136, Tuscaloosa, AL 35487-0136; Director of Accounting and Financial Reporting, University of Alabama in Huntsville, Huntsville, AL 35899; Vice President for Financial Affairs and Administration, University of Alabama at Birmingham, Birmingham, AL 35294; Director, Financial Reporting, Auburn University, Auburn University, AL 36849-5161; Comptroller, Station 6060, University of Montevallo, Montevallo, AL 35115-6000.

The Alabama Institute for the Deaf & Blind is an educational institution governed by a fourteen-member board, twelve of whom are appointed by the Governor.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

### For the Fiscal Year Ended September 30, 2002

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The Marine Environmental Sciences Consortium provides educational programs in marine sciences for the graduate and undergraduate level and conducts research in marine sciences. The board of directors is composed of the chief executive officers of the member institutions.

The Alabama Public School & College Authority issues bonds and uses the proceeds to fund capital construction projects in the local school systems. The Governor, the finance director, and the state superintendent of education constitute the Authority.

The Tombigbee Valley Development Authority consists of six state officials who oversee the development of improvements along the Tombigbee River.

The Higher Education Loan Corporation provides Alabama lending institutions with a secondary market for student loans made under the federal guaranteed student loan program. Audited financial statements may be obtained from the Alabama Commission on Higher Education at P.O. Box 302000, Montgomery, AL 36130-2000.

U.S.S. Alabama Battleship Commission consists of eighteen members appointed by the Governor. The Commission operates a memorial park centered near the historic battleship.

The fourteen-member board of directors of the Housing Finance Authority are appointed by various state officials. The Authority sells bonds and uses the proceeds to make it possible for lenders to make low interest rate mortgages available to low income home buyers. The primary government does not affect the Authority's budget, but the legislature has historically limited the Authority's ability to issue bonds. Audited financial statements may be obtained from the Authority at P.O. Box 230909, 2000 Interstate Park Drive, Suite 408, Montgomery, AL 36123-0909.

Alabama Historic Ironworks Commission operates an historic park based on one of the State's early ironworks. Fourteen of the eighteen members on the commission are appointed by the Governor. Part of the Commission's budget is subject to State control. Audited financial statements may be obtained from the Commission at 12632 Confederate Parkway, McCalla, AL 35111.

The Space Science Exhibit Commission operates the Alabama Space and Rocket Center along with the Space Camp. All eighteen members of the Commission are appointed by the Governor and part of the Commission's budget is subject to State approval. Audited financial statements may be obtained from the Commission at the Alabama Space and Rocket Center, P. O. Box 070015, Huntsville, AL 35807-7015.

The Coosa Valley Development Authority oversees developments and improvements along the Coosa River. Six of the seven members of the Authority are State officials.

The Alabama International Airport Authority was created to develop an international airport in the State. The State controls the appointment of only five of the ten members. All funding for the Authority is through the General Fund, so the Authority is subject to full budgetary control.

The Historical Commission is responsible for the preservation of historic sites, buildings, and objects. The twenty-member Commission is not controlled by the State, but the Commission's budget is subject to State control.

The Choctawhatchee Pea and Yellow Rivers Watershed Management Authority develops and executes plans for water conservation and usage, flood control and prevention, water pollution control, wildlife habitat protection, and erosion control within the boundaries of the Authority. The directors of the Authority are elected by local residents but the Authority is subject to State budgetary control.

The Agricultural Museum Board exists to preserve and exhibit agricultural artifacts. The Board is not controlled by the State, but it is subject to state budgetary control.

The Music Hall of Fame operates a public exhibit displaying music memorabilia in honor of Alabamians who have made a lasting contribution to music. The Hall has both an independent board and is fiscally independent of the State. The Hall is included in

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these financial statements because it would be misleading to exclude. The State has some limited budgetary influence and the State funded the construction of the Hall's facilities with a general obligation bond issue.

The Blakeley Historic Authority preserves the historic site of the town of Blakeley and operates a park on the site. The Authority has both an independent board and is fiscally independent of the State. The Authority is included in the reporting entity because the State has some limited budgetary influence and the State provides the majority of the Authority's funding.

The Alabama Incentives Financing Authority was created to fulfill the State's financial commitments made to industries locating and expanding in the State under the terms of legislation granting certain financial incentives. The board is made up of three state officials, and is authorized to issue bonds to fulfill the State's financial commitments.

The Revolving Loan Fund Authority was created to make grants to twelve regional planning commissions for the purpose of financing local economic development projects. Four of the six members of the Authority are State officials.

The Alabama Twenty-first Century Authority was created to promote economic development and industrial recruitment. The Authority can issue revenue bonds and pledge part of the proceeds of the settlement of the tobacco industry litigation to finance the bonds. The board is made up of three state officials.

The Agricultural Development Authority promotes development of agriculture in the State by making low interest loans available to persons engaged in agricultural operations. The seven-member board is made up of three state officials and four other persons appointed by the State.

The Public Historical Sites and Parks Improvement Corporation renovates, improves, maintains, and constructs State owned public historical sites and parks not under the jurisdiction of the Department of Conservation and Natural Resources as well as non-State owned public historical sites and parks. The six members of the Corporation are state officials.

#### **4. Excluded Organizations**

Other entities have been examined but failed to meet the criteria for inclusion in the State's reporting entity. The city and county boards of education are legally separate organizations whose boards are not controlled by the State. They are fiscally dependent on both the State and local governments. It is more appropriate that they be included as part of a local government's reporting entity.

The Elk River Development Agency, Bear Creek Development Authority, and Cahaba Trace Commission are legally separate organizations whose boards are neither controlled by the State nor are they fiscally dependent on the State. All three of these organizations are excluded. The many local soil and water conservation districts are legally separate organizations which have independent boards and are fiscally independent. In keeping with their independence, they are excluded from this report.

#### **5. Sources of Information**

The majority of State organizations, whether primary government or component unit, conduct their financial operations from the State Treasury through the State's central accounting system under the supervision and review of the State Comptroller, State Treasurer, and State Auditor. The source of information on these agencies is the State's central accounting system. For these agencies, the recording of cash, warrants payable, encumbrances, salaries payable, compensated absences, most investments, most short-term payables, most revenues and most expenditures/expenses are controlled by the Comptroller and/or the Treasurer and are therefore subject to extensive scrutiny. Accruals of revenues, a few accruals of expenditures/expenses, and all other accounts, such as depreciation, capital assets, inventories, and capital leases, generally are based on data provided by the individual agencies. The data provided by the agencies are reviewed and recorded once a year and are believed to be materially correct even though they are not generally subject to extensive scrutiny by the Comptroller, Treasurer, or Auditor.

There are some organizations and funds which meet the criteria for inclusion as part of the reporting entity even though they have the authority to conduct their financial operations through bank accounts and accounting systems outside the State Treasury, independent of the direct daily control of the Comptroller, Treasurer, and Auditor. These non-Treasury agencies are included in

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended September 30, 2002**

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the financial statements based on information provided to the Comptroller once a year by the agency or the agency's auditors. Whenever possible, the non-Treasury agencies are reported as they appeared in the information submitted to the Comptroller. However, corrections or modifications have been made whenever required to comply with generally accepted accounting principles or wherever necessary to ensure consistent statewide report presentation.

The following non-Treasury agencies and funds are included in this report:

### **Primary Government**

- Alabama College System
- Alabama Health Insurance Plan
- Alabama Industrial Development Training Institute
- Alabama School of Fine Arts
- Alabama Skills Center
- Alabama State Port Authority
- Alabama State Fire College
- Athens State College
- Attorney General Outside Accounts
- Aviation Hall of Fame
- Blind Vendors Fund
- C.C. Smith Trust Fund
- Charlotte Thorn Endowment Fund
- Commercial Mobile Radio Service Board
- Corrections Bank Accounts and Agency Funds
- Corrections Canteen Funds
- Corrections Institute Finance Authority Bank Account
- Court System Local Accounts
- Dental Examiners Board
- Dental Scholarships Awards Board
- Department of Human Resources Local Funds and Child Support Funds
- Educational Television Foundation Authority
- Geological Survey Library Revolving Fund
- Gorgas Memorial Board
- Hicks Memorial Endowment Fund
- High School of Math and Science
- Insurance Department Statutory Deposits
- Mary May Eliot Memorial Fund
- Medicaid Agency Lien Account and Qualifying Individual (2 Funds)
- Medical Scholarships Awards Board
- Medical Examiners and Licensure Commission
- Men's Hall of Fame Outside Account
- Military Department Unit Funds
- Montgomery Downtown Redevelopment Authority
- Motor Sports Hall of Fame
- National Guard Canteen Funds
- Non-Emergency Transportation
- Optometry Board
- Optometric Scholarships Awards Board
- Peace Officers' Annuity & Benefit Investment Account
- Pharmacy Board
- Pilotage Commission
- Podiatry Board
- Public Health Care Authority

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- Public Health Local Funds
  - Public Safety Narcotics Funds
  - Sports Hall of Fame Checking Account
  - State Bar Checking Account
  - State Bar Client Security
  - State Bar Foundation
  - State Port Authority Hourly Pension Plan
  - State Port Authority Railway Pension Plan
  - State Safety Coordinating Committee
  - Student Assistance Initiated Loan Servicing Account
  - Supreme Court Checking Account
  - Transportation Surety Bonds
  - Unemployment Compensation Funds
  - Victims Services Fund
  - W.V. Chambliss Trust Fund
  - Women's Hall of Fame
  - Youth Service Student Accounts & Local Funds

#### **Discretely Presented Component Units**

- Alabama A & M University
- Alabama Drinking Water Finance Authority
- Alabama Higher Education Loan Corporation
- Alabama Historic Ironworks Commission
- Alabama Housing Finance Authority
- Alabama Incentives Financing Authority
- Alabama Institute for Deaf and Blind
- Alabama State University
- Auburn University
- Blakeley Historic Authority
- Crime Victims' Compensation Fund
- Jacksonville State University
- Marine Environmental Sciences Consortium
- Mental Health Client/Patient Funds
- Mental Health Capital Projects - Bank Account
- Music Hall of Fame
- Space Science Exhibit Commission and  
Space Science Exhibit Finance Authority
- Troy State University
- U.S.S. Alabama Battleship Commission
- University of Alabama in Birmingham
- University of Alabama in Huntsville
- University of Alabama in Tuscaloosa
- University of Montevallo
- University of North Alabama
- University of South Alabama
- University of West Alabama
- Water Pollution Control Authority

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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### **B. Government-Wide and Fund Financial Statements**

#### **1. Government-Wide Financial Statements**

Government-wide financial statements include two basic financial statements: the Statement of Net Assets and the Statement of Activities. The two statements report the state's governmental activities separately from its business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary funds and fiduciary-type component units are excluded from the government-wide financial statements.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net Assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them available for general operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are reported as general revenue.

#### **2. Fund Financial Statements**

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

#### **1. Measurement Focus and Basis of Accounting**

These financial statements are reported in conformity with generally accepted accounting principles (GAAP) unless otherwise noted on the face of the statement or in the Notes to the Financial Statements. GAAP basis reporting differs considerably in some ways from the budgetary and cash basis accounting under which the State budgets and operates.

##### **a. Accrual Basis**

Under GAAP, the government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized and recorded when earned and expenses are recorded when a liability is incurred for exchange and exchange-like transactions, regardless of the timing of cash flows. For non-exchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement 33. For derived non-exchange transactions, receivables and revenues are recognized when the underlying exchange has occurred. For imposed non-exchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted.

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Property taxes are recognized as revenues in the year for which they are levied. For government mandated non-exchange revenues such as grants, GAAP require the recognition of assets, revenues, liabilities, and expenditures when all eligibility requirements have been met and (for revenues) resources are available. Agency funds, fiduciary in nature, do not recognize revenues and expenditures.

The State has elected to exercise paragraph 6 of Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Statement 20, paragraph 6, requires that all proprietary activities should apply all applicable GASB pronouncements as well as any Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure (CAP) issued on or before November 30, 1989, unless such FASB, APB, and CAP pronouncements conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989, even if they modify an applicable FASB, APB, or CAP pronouncement, are not applicable unless adopted by a GASB pronouncement.

**b. Modified Accrual Basis**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues and court settlements to be available if they are collected within 60 days of the end of the fiscal period. Revenues that the State earns by incurring obligations are recognized in the same period as when the obligations are recognized. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

Under the modified accrual basis of accounting, recognition criteria is different for exchange and non-exchange transactions. For exchange and exchange-like transactions, revenues and related current assets are recognized when measurable and available to finance operations during the year or if available to liquidate liabilities existing at the end of the year. Therefore, in governmental fund financial statements, revenues and the resulting assets are accrued at year-end only if the revenues are earned and the receivables are expected to be collected in time to pay for liabilities in existence at the end of the period. Expenditures are recognized when the related fund liability is incurred, except for items that are not expected to be liquidated with expendable available resources, such as the long-term portion of compensated absences payable and capital lease obligations. Therefore, expenditures and the related liabilities are accrued at year-end only when they are normally payable from current expendable funds. In order to determine which revenues should be accrued, an arbitrary time limit is established. Revenues are recognized when measurable and available. The State uses sixty days after fiscal year end as the time limit for the accrual of revenues. For non-exchange transactions, revenues and expenditures and related assets and liabilities are recognized as required by GASB Statement 33. For income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, and other derived non-exchange transactions, receivables and revenues are recognized when the underlying exchange has occurred and the resources are available. For property taxes, and other imposed non-exchange transactions, receivables are recognized when an enforceable legal claim has arisen. Revenues are recognized when resources are required to be used or the first period that use is permitted and the resources are available. For property taxes, revenues are recognized if received within sixty days; otherwise, a deferred revenue is recognized. For federal grants and other government mandated non-exchange revenues, assets, revenues, liabilities, and expenditures are recognized when all eligibility requirements have been met and (for revenues) resources are available. For reimbursement-type federal grants, eligibility requirements are met when recipients incur allowable costs, not when those costs are submitted for reimbursement.

Material accruals are for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, property taxes, federal grants, and interest.

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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### **2. Financial Statement Presentation**

The State reports the following major governmental funds:

- The General Fund is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- The Education Trust Fund accounts for the revenues collected for the support, maintenance, and development of public education in Alabama.
- The Alabama Trust consists of income from the sale or lease of rights for offshore exploration and drilling for oil and gas off the Alabama coast. Investment income is used to support the General Fund, Forever Wild Land Trust, and a variety of capital projects and debt service.
- Medicaid accounts for the portion of the Medicaid program that is funded by Federal revenues and other non-State revenue sources.
- The Public Road and Bridge Fund accounts for highway construction, maintenance, and operations.
- The Public Welfare Trust Fund accounts for the administration of a broad range of social and protective services programs that provide financial assistance to individuals.

The State reports the following major enterprise funds:

- The Unemployment Compensation Trust accounts for the payment of unemployment compensation benefits.
- The State Port Authority was created to engage in promoting, developing, constructing, maintaining, and operating harbors, seaports, and river ports within the State of Alabama.
- The Alabama College System accounts for the revenues and expenditures of the State's community, junior, and technical colleges.
- The Alcoholic Beverage Control Board was created to control alcoholic beverages through distribution, licensing, and enforcement.

Additionally, the State reports a number of nonmajor funds in the following fund types:

**Governmental Fund Types:**

1. Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specific purposes. Examples include public health, education, and economic and community affairs.
2. Debt Service Funds account for the accumulation of resources for, and the payment of, governmental long-term debt principal and interest.
3. Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets financed principally by bond proceeds.
4. Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

**Proprietary Fund Types:**

1. Enterprise Funds report the activities for which fees are charged to external users for goods or services, such as health insurance and the sale of surplus property.
2. Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. Examples include information technology, telecommunications, office building rentals, motor pool, printing, and state employees' health insurance. In the government-wide statements, internal service funds are included with governmental activities. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fiduciary Fund Types:**

1. Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, deferred compensation plan, individual retirement accounts, and flexible employees' benefit plan. The defined benefit pension plans include plans for state employees, state police, some city and county employees, teachers, judges, peace officers, state dock employees, and circuit clerks of the courts.
2. Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The State's largest private purpose funds are education related

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for either college tuition benefits or local public schools. There are five endowment funds that are administered by the Education Department. These funds are used to support public schools as specified by the donors. Beneficiary schools send requests for funds to the State Department of Education and the requests are reviewed, processed, and approved by the State Department of Education.

3. Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. The State has agency funds that account for some taxes collected, payroll withholdings, child support payments, cash bonds, and various other purposes.

#### **D. Fiscal Year**

The State fiscal year ends on September 30. One component unit, the Alabama Space Science Exhibit Commission, has the power to set its own fiscal year (Code of Alabama 1975, Section 41-10-307 as amended). The Commission has set its fiscal year to end on the last Sunday in September in order to coordinate its accounting period with the weekly cycle of campers. The Commission's fiscal year for 2002 ended on September 29. The difference in fiscal years had no material effect on the financial statements.

### **E. Assets, Liabilities, and Net Assets and Fund Balances**

#### **1. Cash and Cash Equivalents**

Cash and Cash Equivalents, as reported on the financial statements (the government-wide and the fund financial statements), are under the control of the State Treasurer or other administrative bodies as determined by law. The cash in all funds operating from the State Treasury is pooled as treasury cash and invested by the State Treasurer. The Treasurer has statutory authority to invest treasury cash in demand accounts or time deposits-open account with any qualified public depository. The Treasurer can also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. Cash equivalents in the State Treasury consist of short-term repurchase agreements and other allowable time deposits with an original maturity date of three months or less at the date of purchase. Commercial paper is reported as an investment regardless of the original maturity date. For funds operating outside the State Treasury, cash and cash equivalents generally include demand deposit accounts, petty cash accounts, and short-term, highly liquid investments with a maturity date of three months or less when purchased.

#### **2. Receivables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as either "Due To or Due from Other Funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide and governmental fund financial statements, the largest receivables are amounts due from other governments, consisting almost entirely of grants and reimbursements due from the federal government where collectibility is reasonably assured. Accordingly, no allowance for uncollectible accounts has been established. Amounts due from local governments are not a significant portion of amounts due from other governments.

The second largest receivables are amounts accrued for income taxes, general sales taxes, utility taxes, insurance premium taxes, general use taxes, and property taxes as required by GASB Statement 33. These are also accrued in the government-wide and governmental fund financial statements.

The property tax calendar for the State is simple. The levy date, the assessment date, and the lien date are all the same date – October 1. On October 1, the assessed value of all property is multiplied by the applicable rates to levy the property tax. On that date, the State has a lien (a legal claim) against the property. The property tax is not due until October 1 the following year. The property tax is paid in arrears between October 1 and December 31. After December 31, it is delinquent.

In the financial statements of the primary government, the State records few significant Accounts Receivable because those types of revenues are generally not susceptible to accrual under the provisions of Amendment 26 to the State's constitution. Amendment 26 affects only those funds operating from the State Treasury under the control of the Comptroller, which includes most of the

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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funds of the primary government. The primary government has minimal amounts of Notes and Leases Receivable, as such agreements would constitute an illegal extension of credit by the State for any fund operating from the State Treasury. Interest and Dividends Receivable includes amounts earned on investments, notes, mortgages, and loans receivable.

For component units, Mortgages, Notes, and Loans Receivable consist primarily of loans made by the Alabama Housing Finance Authority. The mortgage loans of the Authority are carried at their unpaid principal balances less an allowance for loan losses. Also included in this category are student loans owed to the Alabama Higher Education Loan Corporation. The loans are reported net of an allowance for uncollectible loans.

Due From Other Governments as reported in the component units consist almost entirely of amounts owed by local governments. Most of the amount consists of loans made by the Alabama Water Pollution Control Authority. Accounts Receivable as reported in the component units, are comprised primarily of amounts owed to colleges.

### **3. Inventories**

Inventories of supplies in governmental fund financial statements are reported at cost using the purchases method. An inventory asset account is reported on the balance sheet with an offset to Reserved for Inventory. Inventories of materials and supplies on proprietary fund financial statements are determined by both physical counts and through perpetual inventory systems and are valued at the lower of cost or market. Valuation methods used on the proprietary and governmental fund financial statements include first-in first-out, average cost, weighted average, and retail inventory method.

Surplus supplies, materials, and property from state agencies and the federal government are recorded as inventory at historical cost in two internal service funds. The market value of the inventory in the surplus property funds is significantly lower than the historical cost because of the age and condition of the items.

### **4. Investments**

Investments as reported on the statement of net assets include long-term investments. As required by GASB 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", most investments are recorded at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the current interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. No investments are recorded at amortized cost.

### **5. Restricted Assets**

Component Unit assets required to be held and/or used as specified in bond covenants have been recorded as "Restricted Assets". These assets consist primarily of U.S. Treasury obligations and certificates of deposit.

### **6. Capital Assets**

Capital assets, which include buildings, land, equipment, infrastructure (roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial cost of at least \$5,000 and an estimated useful life in excess of two years. Capitalized assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements Other than Buildings	25
Equipment	5-12

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Land, infrastructure, construction in progress and historical artifacts are not depreciated. The State has elected to apply the modified approach to accounting for infrastructure (roadways, bridges, and tunnels). Under this approach, the infrastructure assets are not depreciated because the State is committed to maintaining the assets at a minimum condition level that the Department of Transportation (DOT) has determined to be adequate to meet the needs of the citizens. Costs for maintenance and preservation are expensed in the period incurred. Additions and improvements are capitalized. The DOT maintains an inventory of all infrastructure assets and performs regular condition assessments of those assets to establish that they are in fact being maintained at or above the condition level established. DOT also makes an annual estimate of the cost necessary to maintain and preserve those infrastructure assets at the target condition level. The State has elected to phase in the reporting of infrastructure. The cost of infrastructure reported this year consists only of projects capitalized during 2002. It is anticipated that the cost of infrastructure that was constructed and completed in prior years will be included in the fiscal year 2003 Comprehensive Annual Financial Report.

Extensive project documentation is required to meet various federal and state guidelines concerning the construction of infrastructure. The completeness of this documentation affects the timing of project capitalization. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is satisfactorily completed, filed and accepted with the appropriate entities. Projects that meet the cost and documentation criteria are closed and appropriate entries are made to adjust the Infrastructure Construction in Progress and Infrastructure asset accounts annually. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service on the State's roadway network and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred.

## **7. Compensated Absences**

Employees in permanent positions accrue annual leave at a rate of four to nine hours bi-weekly, depending upon their length of service. Upon separation from service, an eligible employee is paid for the actual number of annual leave days he has earned, up to a maximum of 60 days, with the amount being computed on the basis of his daily pay rate at time of separation multiplied by the number of days leave due.

Sick leave is accrued at a rate of four hours bi-weekly. Employees may accumulate up to a maximum of 150 days sick leave. Employees may be compensated for one-half of the maximum accrued sick leave only upon retirement from state service. The employee must have 25 years of service or have attained the age of 60 and have 10 years of service to be eligible to retire. State Troopers must have 25 years of service or have attained the age of 52 and have 10 years of service to be eligible to retire. When a state employee in the classified service dies while in active service to the state, the estate of the deceased employee shall receive a monetary payment of fifty percent of the accrued and unused sick leave, not to exceed 600 hours, which the employee was credited with at the time of his or her death.

The monetary value of accumulated annual and sick leave payable upon termination or retirement is included in the government-wide statement of net assets, proprietary fund financial statements, and fiduciary fund financial statements. In the governmental fund financial statements, amounts to be paid from expendable available resources are recognized as current fund liabilities. Current liabilities were determined from actual termination or retirement payments made during the two months following the end of the fiscal year. Amounts not payable from expendable available resources (long-term liabilities) are reported in the government-wide statement of net assets.

The liability at September 30, 2002, was computed using salary rates effective at that date including the employer's share of social security and Medicare taxes payable and represents annual and sick leave earned up to the allowable ceilings. The sick leave is calculated separately for vested and nonvested employees. Sick leave is subjected to an actuarially determined probability multiplier that the employee will remain to retire and collect sick leave. The probability multipliers are as follows:

	<u>Vested</u>	<u>Nonvested</u>
Public Education Employees	.81	.49
State Employees	.71	.39

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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### **8. Long-Term Obligations**

Long-term debt is recognized as a liability in governmental fund financial statements when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability in governmental fund financial statements. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds in the proprietary fund financial statements.

### **9. Net Assets and Fund Balances**

As discussed previously, net assets on the government-wide financial statements and the proprietary fund financial statements are reported in three categories: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

Reservations of fund balance on the governmental fund financial statements indicate that a portion of the fund balance is not available for appropriation and expenditure or is legally segregated for a specific future use. Fund balance designations are established to indicate tentative plans for financial resource utilization in a future period. Such designations reflect managerial plans or intent as distinguished from legally required reserves.

### **F. Proprietary Fund Operating Revenues and Expenses**

Proprietary funds report operating revenues and expenses separate from nonoperating items. Operating items generally result from producing and delivering goods and services that are a normal part of the primary business of the fund. For example, investment income is an operating item for the Risk Management internal service fund, as they collect insurance premiums and invest the money until it is needed to cover claims. In most other proprietary funds, investing is not part of producing and delivering goods or services and is therefore a nonoperating item. When not contradictory to this principal, operating items are defined consistent with the definition of operating items for cash flow statements in GASB Statement 9. The most significant nonoperating items are reported as nonoperating revenues for the Unemployment Compensation Trust and the Alabama College System. For the Unemployment Compensation Trust, these nonoperating revenues consist primarily of federal drawdowns. For the Alabama College System, these nonoperating revenues are federal grants.

### **G. New Accounting Pronouncements**

During the current fiscal year, the State implemented the following new accounting pronouncements:

GASB Statement 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments

GASB Statement 35 Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities

GASB Statement 37 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus

GASB Statement 38 Certain Financial Statement Note Disclosures; paragraphs 6-11

GASB Interpretation 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

## 2 FUND BALANCES

### A. Restatements

Fund balances as of October 1, 2001 have been restated for certain accounting changes necessary to conform to GAAP. The largest restatements resulted from the implementation of GASB 34.

<b>(Amounts In Thousands)</b>	<b>Sept. 30, 2001</b>	<b>GASB 34/35</b>	<b>Other</b>	<b>Prior Period</b>	<b>Oct. 1, 2001</b>
	<b>As Previously Reported</b>	<b>Fund Reclassification</b>	<b>GASB 34/35 Implementation</b>	<b>Accounting Adjustments</b>	<b>As Restated</b>
<b><u>Primary Government</u></b>					
<b>Governmental Activities</b>					
General Fund	\$ 111,952	\$ -	\$ -	\$ 4	\$ 111,956
Education Trust Fund	326,854	-	-	8	326,862
Alabama Trust Fund	-	2,209,653	(28,419)	-	2,181,234
Medicaid Fund	24,569	-	-	-	24,569
Public Road & Bridge Fund	324,104	126,950	(56,745)	(41,104)	353,205
Public Welfare Trust Fund	45,068	-	-	-	45,068
Nonmajor Special Revenue Funds	494,713	115,353	(33,061)	(7,900)	569,105
Nonmajor Debt Service Funds	8,777	-	-	(4)	8,773
Nonmajor Capital Projects Funds	187,051	-	-	9	187,060
Permanent Funds	-	28,310	-	4	28,314
<b>Total Governmental Funds</b>	<b>1,523,088</b>	<b>2,480,266</b>	<b>(118,225)</b>	<b>(48,983)</b>	<b>3,836,146</b>
<b>Total Internal Service Funds</b>	<b>303,899</b>	<b>(141,225)</b>	<b>-</b>	<b>3,757</b>	<b>166,431</b>
Government-wide adjustments:					
Capital assets	1,252,539	-	2,758,395	-	4,010,934
Long-term debt	-	-	(790,368)	(6,400)	(796,768)
Total Government-wide adjustments	<u>1,252,539</u>	<u>-</u>	<u>1,968,027</u>	<u>(6,400)</u>	<u>3,214,166</u>
<b>Total Governmental Activities</b>	<b><u>3,079,526</u></b>	<b><u>2,339,041</u></b>	<b><u>1,849,802</u></b>	<b><u>(51,626)</u></b>	<b><u>7,216,743</u></b>
<b>Business-type Activities</b>					
Unemployment Compensation	-	369,243	-	1,800	371,043
State Port Authority	174,039	-	-	-	174,039
Alabama College System	-	645,785	(227,132)	(12,394)	406,259
Alcoholic Beverage Control Board	(4,827)	-	-	-	(4,827)
Nonmajor Enterprise Funds	131,857	(88,162)	-	(86)	43,609
<b>Total Business-type Activities</b>	<b><u>301,069</u></b>	<b><u>926,866</u></b>	<b><u>(227,132)</u></b>	<b><u>(10,680)</u></b>	<b><u>990,123</u></b>
<b>Funds Eliminated by GASB 34:</b>					
Expendable Trust Funds	388,152	(388,152)	-	-	-
Nonexpendable Trust Funds	2,283,179	(2,283,179)	-	-	-
Higher Education	644,861	(644,861)	-	-	-

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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(Amounts In Thousands)	Sept. 30, 2001 As Previously Reported	GASB 34/35 Fund Reclassification	Other GASB 34/35 Implementation	Prior Period Accounting Adjustments	Oct. 1, 2001 As Restated
<b>Component Units</b>					
Public School and College Authority	\$ 463,286	\$ -	\$ (1,341,156)	\$ -	\$ (877,870)
Mental Health	240,865	-	(181,534)	50	59,381
Housing Finance Authority	167,901	-	-	-	167,901
Water Pollution Control Authority	187,924	-	-	(109)	187,815
University of Alabama	2,211,751	-	(25,207)	-	2,186,544
Auburn University	576,391	-	(12,521)	-	563,870
University of South Alabama	388,399	-	(209,159)	-	179,240
Other Component units	1,042,899	(403)	(550,895)	(62,425)	429,176
<b>Total Component Units</b>	<b>\$ 5,279,416</b>	<b>\$ (403)</b>	<b>\$ (2,320,472)</b>	<b>\$ (62,484)</b>	<b>\$ 2,896,057</b>
<b>Fiduciary Funds:</b>					
Pension Trust Funds	24,046,499	2	-	10	24,046,511
Private Purpose Trust Funds	-	50,685	488,930	-	539,615
<b>Total Fiduciary Funds</b>	<b>24,046,499</b>	<b>50,687</b>	<b>488,930</b>	<b>10</b>	<b>24,586,126</b>

Significant prior period adjustments were made in the Public Road and Bridge Fund (for receivables and amounts held pending distribution), General Long-term Debt (for capital leases), Nonmajor Special Revenue Funds (for receivables), and Alabama College System (for other college audits).

During the fiscal year ended September 30, 2002, the Alabama Heritage Trust Fund was merged into the Alabama Trust Fund. The amortized cost of the investments on the date the merger occurred was \$467,002,693 and the fair value of the investments was \$456,434,138.

### B. Fund Balance/Net Assets Deficits

#### 1. Primary Government

Medicaid, a major governmental fund, had a deficit in unreserved, undesignated fund balance of \$72,169,000 leading to a total deficit in fund balance of \$71,577,000. This was due primarily to the accrual of claims outstanding on September 30, 2002. The expense was recognized in 2002 and will be paid in 2003.

The Alcoholic Beverage Control Board, an Enterprise Fund, had a deficit in unrestricted net assets of \$5,403,000 at September 30, 2002, causing a deficit in total net assets of \$4,202,000. The deficits are largely due to the accrual of liabilities for compensated absences and salaries payable made in 2002. The Board, by law, operates on a cash basis and is required to distribute 100% of its earnings.

The Building Renovation Finance Authority, an Internal Service Fund, had a deficit in net assets of \$10,571,000. The Authority has a deficit balance of \$33,730,000 in Net Assets Invested in Capital Assets, Net of Related Debt while having a positive Unrestricted Net Assets of \$23,159,000. The fund's major assets are buildings, which have depreciated values that are less than the long-term debt associated with them.

The Revenue Administrative Special Revenue Fund had a deficit in unreserved undesignated fund balance of \$1,464,000, and the overall total fund balance is a negative \$70,000. The deficit was created primarily by the accrual of salaries payable.

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## **2. Component Units**

The Public School and College Authority, a major component unit, had a deficit unrestricted net asset balance of \$1,099,657,000. The Authority issues bonds to raise money for grants which are made primarily to local school systems for the construction and improvement of educational buildings owned by those systems.

The Alabama Space Science Exhibit Commission, a non-major component unit, had a deficit in unrestricted net assets of \$5,509,000, and the overall total net assets balance is a positive \$16,625,000. Almost all of the Commission's assets are capital assets.

The Incentives Finance Authority, a non-major component unit, had a deficit in unrestricted net assets of \$142,177,000. The Authority issues bonds to raise money to fund financial commitments to industries relocating to Alabama and therefore the Authority accumulates few assets. The resources to pay the debt will come from future tax revenues.

The Twenty-first Century Authority, a non-major component unit, had a deficit in unrestricted net assets of \$16,169,000. The Authority issues bonds for the purpose of promoting economic development and industrial recruitment in the State and therefore the Authority accumulates few assets. The debt will be repaid with future revenues from the tobacco settlement.

The USS Alabama Battleship Commission, also a non-major component unit, had a deficit in unrestricted net assets of \$976,000, but the overall total fund balance is a positive \$8,613,000. The Commission has outstanding Notes Payable that exceeds the non-capital asset balance.

The State Industrial Development Authority, a non-major component unit, had a deficit in unrestricted net assets balance of \$15,723,000. The Authority issues bonds to finance projects that promote the industrial development of the State, primarily through grants to local development authorities. The resources to repay the debt will come from future tax revenues.

The Revolving Loan Fund Authority, a non-major component unit, had a deficit in unrestricted net assets of \$11,485,000. The Authority issues bonds for making grants to Regional Planning and Development Commissions to be utilized as revolving loans by the grantees. The resources to repay the debt will come from future tax revenues.

## **3 ASSETS**

### **A. Cash Deposits**

The Treasurer has statutory authority to deposit treasury cash in demand accounts or time deposits - open account with any qualified public depository. The Treasurer may also invest up to twenty percent of treasury cash in securities and obligations of the U.S. Treasury or federal agencies for a period of time that may exceed one year. Funds may also be invested in obligations of the United States or its agencies under a repurchase agreement for a shorter period of time than the maturity date of the security.

Deposits of both the primary government and its component units are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) program. The *Code of Alabama 1975* requires all State organizations, including component units, to participate in the SAFE program. The SAFE program is a multiple financial institution collateral pool. The SAFE program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975*, Section 41-14A-9(3) authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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### B. Investments

Investments are made in accordance with the statutes creating the various agencies of the State of Alabama. The following describes the investments made by the major investing agencies of the State:

#### 1. Primary Government

State Treasurer - The State Treasurer may legally invest state funds in repurchase agreements, obligations of the U.S. Treasury, federal land bank bonds, federal home loan bank notes and bonds, Federal National Mortgage Association notes, and debentures or obligations guaranteed by the U.S. government.

Alabama Trust Fund (ATF) – Investments are limited to those authorized by law for the Retirement Systems of Alabama. The investments authorized for the Retirement Systems are described later in this section.

Prepaid Affordable College Tuition Program (PACT) - Assets of PACT constitute public funds of the State and may be invested in any instrument, obligation, security or property that constitutes legal investments for investment of public funds in the State, including legal investments of the State Treasurer and the Alabama Trust Fund that are deemed most appropriate by the PACT board and may be pooled for investment purposes with any other investment of the State which is eligible for asset pooling.

#### 2. Fiduciary Funds

Retirement Systems of Alabama (RSA) - The Retirement Systems of Alabama administers the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund. RSA may invest in any types of investments that the Board of Control of each individual system approves. Each Board is limited only by the "Prudent Man Rule" which requires it to use due care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in investing.

Deferred Compensation Plan RSA-1 – A deferred compensation plan is administered by the Retirement Systems of Alabama (RSA). The plan is named the Public Employees' Individual Retirement Account/Deferred Compensation Plan, and is commonly referred to as RSA-1. By law, RSA-1 investments are made under the same rules, regulations, conditions, and guidelines governing the RSA.

#### 3. Component Units

Alabama Water Pollution Control Authority (AWPCA) The AWPCA is authorized to invest in (a) any debt securities that are direct or general obligations of the U. S.; (b) any debt security unconditionally guaranteed (principal and interest) by the U. S.; and (c) repurchase agreements collateralized by securities of the type described in (a) and (b) above or with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured, and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investor Service, Inc., and "A-1" or "A-" or better by Standard & Poor's Corporation.

Alabama Housing Finance Authority (AHFA) - The Authority is authorized to invest in bonds or other obligations issued or guaranteed by the U.S. Government, or any agency thereof, or the State of Alabama. In addition, the Authority may invest in interest-bearing bank and savings and loan association deposits, any obligations in which a State-chartered savings and loan association may invest its funds, any agreement to repurchase any of the foregoing, or any combination thereof. Each of the trust indentures established under the Authority's mortgage revenue bond programs contain further restrictions on the investment of non-expended bond proceeds; however, each trust indenture must be consistent with the Authority's authorizing legislation with respect to the definition of eligible investments. The Authority's program investments consist of Government National Mortgage Association (GNMA) or Federal National Mortgage Association (FNMA) pass-through certificates, all of which are pledged as security for the mortgage revenue bonds.

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Other investments include unexpended bond proceeds, temporary and reserve funds established under the provisions of various trust indentures, and investments of the Authority's operating fund.

Higher Education Loan Corporation - The bond trust indentures authorize the Corporation to invest bond proceeds only in certain types of investments including, but not limited to: (1) direct obligations of, or obligations unconditionally guaranteed by, the United States government; (2) bank demand deposits and certificates of deposit insured by the Federal Deposit Insurance Corporation or fully secured by obligations with the same characteristics as those described in items (1) above or (3) below; (3) obligations of or guaranteed by any agency or instrumentality of the U. S. government; (4) obligations with the same characteristics as those described in items (1) and (3) above held by the Trustee under written agreement whereby a bank or trust company agrees to repurchase the obligations, providing that the market value of such obligations, as determined monthly, is always at least equal to the repurchase prices specified in the agreement; (5) money market funds consisting solely of securities similar to those described in items (1), (3), and (4) above; (6) guaranteed investment contracts and, (7) any other investments or obligations consented to by the bond insurance provider.

Investments Made by Colleges and Universities - The colleges and universities invest funds in accordance with the applicable limits set forth in the gift instruments, Board of Trustees guidelines, or other applicable laws. Certain bond indentures require that the bond funds invest all amounts in federal securities or eligible certificates. In accordance with GASB 31, most investments are stated at fair value.

### C. Investment Credit Risk

The tables on the following page summarize the carrying and fair value of the State's investments by type and categorizes the investments by level of credit risk as follows:

Category 1 - Insured or registered, or securities held by the State or its agent in the State's name.

Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 - Uninsured or unregistered, with securities held by the counterparty, or its trust department or agent, but not in the State's name.

Investments not required to be categorized are presented "below the line," followed by reconciling items between this note and the total investments as shown on the balance sheet.

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

**INVESTMENT CREDIT RISK**  
**PRIMARY GOVERNMENT AND FIDUCIARY FUNDS**

(Amounts in Thousands)

<b>Investments Categorized</b>	<b>Category</b>			<b>Carrying and Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Commercial Paper	\$ 50,912	\$ 14,175	\$ 751,604	\$ 816,691
U S Government Guaranteed Securities	194,939	6,993	-	201,932
U S Agency Securities	1,603,654	2,225	-	1,605,879
International Securities	166,614	-	1,254,049	1,420,663
State and Local Government Securities	39,066	-	-	39,066
Mortgage-backed Securities	653,591	54,967	-	708,558
Corporate Bonds	4,320,224	5,855	-	4,326,079
Common and Preferred Stocks	7,404,979	5,209	36	7,410,224
Repurchase Agreements	4,894	66,273	-	71,167
Securities Purchased with Cash Collateral				
Bank Notes - Floating Rate		74,974		74,974
Domestic Certificate of Deposit		80,470		80,470
Yankee Certificate of Deposit		116,698		116,698
Commercial Paper		74,914		74,914
Floating Asset Backed Securities		74,912		74,912
Medium Term Note - Floating		505,485		505,485
Repurchase Agreements		54,058		54,058
U S Agency Securities		29,998		29,998
Subtotals				17,611,768
<b>Investments Not Categorized</b>				
Real Estate and Mortgages				1,354,233
Mutual Funds				800,399
Private Placements				4,345,647
Securities Lent Under Securities Lending for Cash Collateral				
U.S. Government Guaranteed Bonds				44,510
Domestic Corporate Bonds				47,253
Domestic Common Stock				498,265
International Stocks				272,885
Mortgage Backed Securities				306,281
Securities Purchased with Cash Collateral				
Guaranteed Investment Contracts				85,589
Money Market Funds				45,000
<b>Total Primary Government and Fiduciary Funds</b>	<b>\$ 14,438,873</b>	<b>\$ 155,697</b>	<b>\$ 3,017,198</b>	<b>\$ 25,411,830</b>
<b>Reconciliation to the Government-wide Statement of Net Assets</b>				
Investments Per Investment Note				\$ 25,411,830
Certificates of Deposit †				55,479
Cash Equivalents †				(61,597)
Securities Purchased with Securities Lending Collateral				(1,142,098)
Fiduciary Funds				(21,712,108)
<b>Investments per Government-wide Statement of Net Assets</b>				<b>\$ 2,551,506</b>

**INVESTMENT CREDIT RISK**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**(Amounts in Thousands)**

	Category			Carrying and Fair Value
	1	2	3	
<b>Investments Categorized</b>				
Commercial Paper	\$ -	\$ 2,534	\$ -	\$ 2,534
U.S. Government Guaranteed Securities	681,321	18,789	-	700,110
U.S. Agency Securities	911,167	-	-	911,167
State and Local Government Securities	43,670	-	-	43,670
Corporate Bonds	45,003	-	-	45,003
Common and Preferred Stocks	127,261	-	-	127,261
Repurchase Agreements	184,111	169,766	-	353,877
University Pooled Investments	87,916	-	-	87,916
Subtotal				2,271,538
<b>Investments Not Categorized</b>				
Real Estate and Mortgages				18,670
Mutual Funds				56,425
Pooled Investments				1,147,682
Guaranteed Investment Contracts				95,198
Private Placements				24,813
Trusts Held By Others				4,974
<b>Total Component Units</b>	<b>\$ 2,080,449</b>	<b>\$ 191,089</b>	<b>\$ -</b>	<b>\$ 3,619,300</b>

**Reconciliation to Government-wide Statement of Net Assets**

Investments Per Investment Note	\$ 3,619,300
Certificates of Deposit †	12,276
Cash Equivalents †	(1,348)
Investments Classified as Restricted Assets	(2,154)
<b>Investments per Government-wide Statement of Net Assets</b>	<b>\$ 3,628,074</b>

† Investment types not required to be presented in the investment credit note.

#### D. Securities Lending

The Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF) are authorized by the Boards of Control to participate in a securities lending program. The Alabama Trust Fund (ATF) investment managers are authorized by the Board of Trustees to engage in securities lending under guidelines established by the ATF Investment Committee. The Retirement Systems of Alabama's custodian, J. P. Morgan Chase and Company, administers the program for the TRS, ERS, JRF, and the ATF. Certain securities from the TRS, ERS, JRF, and ATF are loaned to borrowers approved by the Retirement Systems of Alabama (RSA). Approved borrowers of securities provide acceptable collateral in the form of cash, U.S. Treasury securities, or U.S. Government Agency securities. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, ATF, or borrower. At the inception of each loan, collateral must be provided in the amount of 105% and 102% of the fair value of the loaned securities for international and U.S. equity securities, respectively. Subsequently, collateral for each loan is allowed to fluctuate between the initial required percentage and 100% of the fair value of the loaned securities. If the fair value of the collateral falls below 100% of the fair value of the loaned securities, additional collateral is required to restore the collateralized amount to the initial required collateralization. All collateral remains in the

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**For the Fiscal Year Ended September 30, 2002**

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exclusive possession of the RSA's custodial agent who is responsible for marking the collateral to fair value each day and ensuring that the loaned securities are properly collateralized at all times. The TRS, ERS, JRF, and ATF cannot pledge or sell collateral securities received unless the borrower defaults. Therefore, securities lent that are collateralized by other securities are categorized in the investment credit risk table based on how the collateral received is held. The securities received as collateral are not categorized since these securities cannot be sold or pledged without borrower default.

Cash collateral is invested in a dedicated short-term investment fund in the respective Systems' or Funds' name using investment guidelines provided by the TRS, ERS, JRF, and ATF Investment Committee. As a result, the securities purchased with cash collateral are categorized in the investment credit risk tables based on how they are held. The securities lent are included in the investment credit risk tables in the "Investments Not Categorized" section of the table. As of September 30, 2002, the cash collateral investments had a weighted-average maturity of forty-four days for the TRS, three days for the ERS, one day for the JRF, and one day for the ATF. Also, the average term of the loans was forty days for the TRS, three days for the ERS, one day for the JRF, and one day for the ATF. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2002, the fair value of the securities on loan was \$911,489,000 for the TRS, \$249,813,000 for the ERS, \$2,268,000 for the JRF, and \$28,260,819 for the ATF. The fair value of the collateral pledged by the borrowers was \$944,301,000 for the TRS, \$259,056,000 for the ERS, \$2,365,000 for the JRF, and \$29,329,887 for the ATF. Since the amounts owed by the TRS, ERS, JRF, and ATF to borrowers exceeded the amounts the borrowers owed to the TRS, ERS, JRF, and ATF, there was no credit risk exposure as of September 30, 2002. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

### **E. Mortgage-Backed Securities**

The Retirement Systems of Alabama periodically invests in mortgage-backed securities to improve yield and adjust the duration of the Systems' fixed income portfolio. These securities are subject to change in fair value due to changes in interest rates. Credit risk (the risk that counterparty might be unable to meet its obligations) results from the same considerations as other counterparty risk assumed by the Systems.

## F. Capital Assets

The State has elected to phase in the reporting of infrastructure. The cost of infrastructure reported this year consists only of projects capitalized during fiscal year 2002. The cost of infrastructure constructed and completed in prior years is expected to be included in the 2003 Comprehensive Annual Financial Report. The State capitalizes infrastructure when all costs for a project are incurred and all project documentation is completed and filed with the appropriate entities. Due to the documentation requirements, there can be substantial time lags between the date a project is put into service and the date the project is capitalized. A significant portion of Infrastructure Construction in Progress consists of projects that have been put into service and maintenance costs could have been incurred but the project documentation is not complete. As of September 30, 2002, the capital assets for the Primary Government and the Component Units are presented in the following tables:

(Amounts in Thousands)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
	<u>as Restated</u>			
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 94,660	\$ 19,242	\$ -	\$ 113,902
Historical Exhibits	2,341	394	-	2,735
Construction in Progress	3,115	-	-	3,115
Construction in Progress-Infrastructure	3,256,906	375,638	368,785	3,263,759
Infrastructure	0	368,785	-	368,785
<b>Total capital assets not being depreciated</b>	<b><u>3,357,022</u></b>	<b><u>764,059</u></b>	<b><u>368,785</u></b>	<b><u>3,752,296</u></b>
<b>Capital assets being depreciated:</b>				
Buildings	909,961	3,679	-	913,640
Equipment	408,468	61,603	25,548	444,523
<b>Total capital assets being depreciated</b>	<b><u>1,318,429</u></b>	<b><u>65,282</u></b>	<b><u>25,548</u></b>	<b><u>1,358,163</u></b>
Less accumulated depreciation	606,420	60,084	20,452	646,052
<b>Total capital assets being depreciated, net</b>	<b><u>712,009</u></b>	<b><u>5,198</u></b>	<b><u>5,096</u></b>	<b><u>712,111</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 4,069,031</u></b>	<b><u>\$ 769,257</u></b>	<b><u>\$ 373,881</u></b>	<b><u>\$ 4,464,407</u></b>
<b>Depreciation Expense for the current year is charged as follows:</b>				
Economic Development and Regulation	\$ 2,238			
Education and Cultural Resources	1,939			
Natural Resources and Recreation	3,307			
Health - Physical & Mental	1,784			
Social Services	2,978			
Protection of Person & Property	17,050			
Transportation	17,365			
General Government	10,418			
Debt Service	3,005			
<b>Total Depreciation Expense</b>	<b><u>\$ 60,084</u></b>			

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
	<u>as Restated</u>			
<b>Business-type Activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 55,522	\$ 14,378	\$ 19,707	\$ 50,193
Historical Exhibits	2,513	163	2,350	
Construction in progress	28,890	30,453	22,298	37,045
<b>Total capital assets not being depreciated</b>	<b><u>86,925</u></b>	<b><u>44,831</u></b>	<b><u>42,168</u></b>	<b><u>89,588</u></b>
<b>Capital assets being depreciated:</b>				
Buildings	539,093	610,240	580,861	568,472
Equipment	545,888	79,926	73,201	552,613
<b>Total capital assets being depreciated</b>	<b><u>1,084,981</u></b>	<b><u>690,166</u></b>	<b><u>654,062</u></b>	<b><u>1,121,085</u></b>
Less accumulated depreciation	222,999	414,392	151,327	486,064
Total capital assets being depreciated, net	<u>861,982</u>	<u>275,774</u>	<u>502,735</u>	<u>635,021</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 948,907</u></b>	<b><u>\$ 320,605</u></b>	<b><u>\$ 544,903</u></b>	<b><u>\$ 724,609</u></b>
<b>Depreciation Expense for the current year is charged as follows:</b>				
State Port Authority	\$ 12,662			
Alabama College System	18,990			
Alcoholic Beverage Control Board	694			
State & Federal Surplus Property	79			
Other Enterprise Funds	402			
<b>Total Depreciation Expense</b>	<b><u>\$ 32,827</u></b>			

(Amounts in Thousands)	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
	<u>as Restated</u>			
<b>Component Units:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 160,896	\$ 213	\$ 34,071	\$ 127,038
Historical Exhibits	75,172	1,793	6,361	70,604
Construction in progress	44,837	27,469	-	72,306
<b>Total capital assets not being depreciated</b>	<b><u>280,905</u></b>	<b><u>29,475</u></b>	<b><u>40,432</u></b>	<b><u>269,948</u></b>
<b>Capital assets being depreciated:</b>				
Buildings	2,404,223	734,907	-	3,139,130
Equipment	1,419,314	179,584	16,691	1,582,207
<b>Total capital assets being depreciated</b>	<b><u>3,823,537</u></b>	<b><u>914,491</u></b>	<b><u>16,691</u></b>	<b><u>4,721,337</u></b>
Less accumulated depreciation	1,515,619	846,078	265	2,361,432
Total capital assets being depreciated, net	<u>2,307,918</u>	<u>68,413</u>	<u>16,426</u>	<u>2,359,905</u>
<b>Component Units capital assets, net</b>	<b><u>\$ 2,588,823</u></b>	<b><u>\$ 97,888</u></b>	<b><u>\$ 56,858</u></b>	<b><u>\$ 2,629,853</u></b>
<b>Depreciation Expense for the current year is:</b>				
Water Pollution Control Authority	\$ 210			
Mental Health	3,494			
University of Alabama	107,464			
Auburn University	23,580			
University of South Alabama	16,164			
<b>Total Depreciation Expense</b>	<b><u>\$ 150,912</u></b>			

## **4 LIABILITIES**

### **A. Commitments**

#### **1. Construction Projects**

##### **a. Primary Government**

At September 30, 2002, the Department of Transportation had construction and maintenance contracts of \$1,904,765,027. The amount already performed was \$1,451,472,702, leaving an outstanding balance of \$453,292,325. The funding sources for this amount are 74% Federal funds and 26% State and local funds.

The State Port Authority had commitments for capital expenditures of approximately \$25,400,000 at September 30, 2002.

##### **b. Component Units**

The University of Alabama at Birmingham had construction and acquisition commitments remaining at September 30, 2002, of \$583,884,000. These costs will be financed from bond proceeds and UAB reserves of \$218,801,000, federal funds of \$19,547,000, and state funds of \$14,320,000. During 2002, approximately \$99,506,000 of construction was financed through proceeds of previously issued debt. In addition, certain projects in the planning and design phase that UAB expects to complete have estimated costs totaling \$188,503,000.

The University of Alabama at Tuscaloosa had construction and renovation contracts remaining at September 30, 2002, of \$46,600,000. These costs are expected to be financed from gifts, grants, bond proceeds, and University funds.

Auburn University had construction and renovation contracts for various facilities that are estimated to cost approximately \$35,800,000. At September 30, 2002, the estimated remaining cost to complete the projects was approximately \$26,500,000 payable from University funds.

At September 30, 2002, Jacksonville State University had commitments on construction projects which included \$501,998 on the McClellan Day Care Center and soccer field.

The University of Alabama at Huntsville had construction and renovation contracts for several facilities remaining at September 30, 2002, of \$900,000. These costs are expected to be financed from gifts, grants, bond proceeds, state appropriations and University funds.

The University of Montevallo had construction and renovation projects for a new student center remaining at September 30, 2002, of \$10,100,000. These costs are expected to be financed from bond proceeds and University funds.

#### **2. Operating Leases**

The State and its component units have entered into various lease agreements for real property. These leases do not represent material commitments by the State, therefore disclosure of minimum future lease payments is not provided.

#### **3. Federal Programs**

The State operates several Federal programs that have commitments for claims outstanding at September 30, 2002. These claims involve services provided to beneficiaries prior to September 30, but the claims were neither submitted to nor approved for payment by the State until after September 30. The amounts of these programs are not material.

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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### **4. Other Commitments**

The Alabama Housing Finance Authority, a component unit, has designated \$62,798,000 of its net assets for fiscal year September 30, 2002 for financing future single-family mortgage revenue bond programs, to support its single-family mortgage loan origination and warehousing operations, and to cover its operating expense budget for the following fiscal year.

### **B. Claims and Judgments**

A judgment was entered against the State in favor of Alabama State University and Alabama A&M University. The State must pay each University \$1,000,000 for the next eight years. The amount outstanding is \$16,000,000. The Education Trust Fund is being used to liquidate this debt.

### **C. Long-term Debt**

#### **1. Debt Limitations and Methods of Bond Issuance**

Under Section 213 of the Constitution of Alabama, as modified by Amendment 26, the State is constitutionally prohibited from incurring debt except to repel invasion or suppress insurrection. Therefore, the only method under which general obligation debt can be incurred is by amendment to the Constitution. Although conventions proposed by the legislature and approved by the electorate may be called for the purpose of amending the Constitution, historically all amendments have been adopted by a procedure which requires them to be proposed by a three-fifths majority of each house of the legislature and thereafter ratified by a majority of the electorate.

The Supreme Court of Alabama has ruled that the debt prohibition does not apply to debts incurred by separate public corporations functioning as State instrumentalities. The State has followed the practice of financing certain capital improvements by issuing debt through such public corporations. The Legislature (through enabling legislation) and the Governor (by executive order) have created public corporations and authorities of the State for the purpose of financing projects and programs such as public highways, public educational facilities, judicial buildings, student loans, affordable housing, and other projects. In most instances, State officials such as the Governor, Lieutenant Governor, Attorney General, State Treasurer, and the Director of Finance serve as board members of these corporations. The revenue bonds issued by these corporations are limited obligations of the corporation, not general obligations of the State, and the full faith and credit of the State is not pledged for their repayment. Certain revenues, usually earmarked taxes or revenues generated from the project financed, are pledged for the payment of the debt. Depending on the GASB criteria discussed in Note 1, some of these corporations are reported by blending them with the primary government and some are reported discretely.

The State and its component units issue serial and term bonds and capital appreciation bonds. Capital appreciation bonds are sold at a deep discount and do not pay any interest until the bonds mature. Based on the original offering price, the bonds increase in value as semi-annual interest is earned and is compounded from the original issuance date to the date of maturity. The issuance of this type bond postpones the cash flow until the bonds mature or are called. The increase in the value of the bonds is referred to as accretion.

#### **2. General Obligation Bonds – Governmental Activities**

The State has general obligation bond issues outstanding for the purpose of financing capital projects for: state waterways, State Port Authority's facilities, prisons, roads, bridges, mental hospitals, Mobile harbor, State parks, youth services facilities, state buildings, the State Coliseum, public schools and colleges, conservation projects, educational television, and diagnostic and research laboratories. The full faith and credit of the State is pledged for the payment of the bonds. The following schedule shows the general obligation annual debt service requirements and is followed by a detailed table describing each individual general obligation bond issue outstanding:

**GENERAL OBLIGATION BONDS**  
**Debt Service Requirements to Maturity**

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 47,945,000	\$ 21,587,156	\$ 69,532,156
2004	47,975,000	19,128,334	67,103,334
2005	50,130,000	16,714,675	66,844,675
2006	47,792,111	18,797,850	66,589,961
2007	43,839,880	25,624,876	69,464,756
2008-2012	94,627,800	64,587,836	159,215,636
2013-2017	95,185,000	38,073,923	133,258,923
2018-2022	<u>98,135,000</u>	<u>12,594,389</u>	<u>110,729,389</u>
<b>Total</b>	<b>525,629,791</b>	<b>† \$ 217,109,039</b>	<b>\$ 742,738,830</b>
Unamor Prem	<u>1,973,345</u>		
		<b><u>\$ 527,603,136</u></b>	

† The liability reported on the balance sheet includes \$7,476,301 for the accretion of interest on capital appreciation bonds. The above table shows interest in the year it is paid, not the year it is accrued.

**GENERAL OBLIGATION BONDS PAYABLE**

<b>General Obligation Issue</b>	Final				<b>Bonds Payable</b>
	<b>Date Issued</b>	<b>Maturity Date</b>	<b>Interest Rates</b>	<b>Sept. 30, 2002</b>	
1992 Waterway Refunding					
Series A, Coosa Waterway	02/01/92	12/01/02	5.3% to 5.7%	\$ 325,000	
Series B, Tennessee-Tombigbee Waterway	02/01/92	12/01/02	5.3% to 5.7%	2,830,000	
Series 1999					
Series A Refunding Bonds	07/15/99	10/01/07	4.6% to 5.5%	197,896,092	
Series B Refunding Bonds	07/15/99	10/01/09	3.8% to 5.0%	11,995,000	
Series 2001					
Series A - Agricultural Development	02/01/01	09/30/21	4.5% to 5.3%	55,785,000	
Series B - Forensic Sciences	03/01/01	09/30/21	4.0% to 5.0%	16,965,000	
Series C - State Parks System Improvement Corp.	06/01/01	09/30/21	3.8% to 5.5%	101,500,000	
Series D - Public Historical Sites & Improvement Corp.	06/01/01	09/30/21	4.0% to 5.0%	5,855,000	
Series E - Public Historical Sites & Improvement Corp.	11/01/01	09/01/21	4.0% to 5.0%	85,000,000	
Series 2002					
Series A - Riverfront, Shelby Bio Medical, Wal-Mart,	09/01/02	09/01/22	3.0% to 5.0%	<u>54,955,000</u>	
Craig Field Airport, Mobile Airports, Historical Comm. St. Jude Project					
Sub-total General Obligation Bonds				533,106,092	
† Plus: Unamortized Premiums				<u>1,973,345</u>	
<b>Total General Obligation Bonds</b>				<b>\$ 535,079,437</b>	

† The amount outstanding includes \$7,476,301 accretion of interest.

‡ Unamortized premiums were \$943,333 for Series 2001-E and \$1,030,012 for Series 2002-A.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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### 3. Revenue Bonds

#### Primary Government – Governmental Activities

- a. **The Alabama Industrial Access Road and Bridge Authority** is authorized to issue bonds to finance the construction of industrial access roads and bridges in the state. Revenues from gasoline, motor fuel, and lubricating oil taxes are pledged for the payment of these bonds.
- b. **The Alabama Corrections Institution Finance Authority** issues bonds for the purposes of acquiring land and constructing correctional institutions. The bonds are payable from revenues derived from payments under a lease agreement between the Authority and the Department of Corrections.
- c. **The Montgomery Downtown Redevelopment Authority** issued bonds to fund the construction of the Gordon Persons Building. Debt service is payable solely from the revenues and receipts paid pursuant to leases, proceeds of insurance in the event of damage or destruction of the building, amounts received in the event of condemnation of the building, amounts payable by MBIA under the Insurance Policy, amounts on deposit in the Reserve Fund held by the Trustee, earnings, if any on funds held by the Trustee, and funds received by the Trustee in the event of any foreclosure sale of the building.
- d. **The Alabama Building Renovation Finance Authority** issues bonds to provide funding for the renovation, reconstruction, operation, and maintenance of public office buildings in the state capitol complex. The Authority also receives income from the rental of the office buildings to state agencies. The bonds issued by the Authority are payable from the rents received by the authority under lease agreements.
- e. **The Alabama Judicial Building Authority** issues bonds for the purpose of funding the acquisition and construction of judicial facilities. The bonds are payable from revenues and receipts paid by the Judicial System pursuant to the lease, proceeds of insurance in the event of damage or destruction of the facilities, amounts, if any, received in the event of condemnation of the facilities, amounts payable by AMBAC under the Municipal Bond Insurance Policy, and earnings, if any, on funds held by the State Treasurer.
- f. **The Alabama Public Health Care Authority** issues bonds for the purpose of funding the acquisition and construction of public health care facilities. Revenues received from leases with the county health departments, income from investments, real property, equipment, cash, securities, and a policy of municipal bond insurance are pledged for the payment of principal and interest on the bonds.
- g. **The Alabama Federal Aid Highway Finance Authority** issues bonds for the purpose of funding the costs of constructing any roads, streets, parks, right of ways, bridges, railroad crossings, drainage structures, signs, guard rails, structures, interstates, surfaces, resurfaces, shoulders, road sides, or any other work which is eligible for federal aid financing assistance under Title 23, Chapter1, of the United States Code and applicable regulations. The bonds are issued in anticipation of the receipt by the State of the federal share of the costs.

#### Primary Government – Business Type Activities

- a. **The Alabama State Port Authority (ASPA)** issued bonds for the construction and maintenance of a wharf, warehouse, open storage area and other port facilities at Mobile Bay. The bonds are secured by the gross revenues of ASPA derived from charges made by ASPA for all services provided.
- b. **The Alabama College System** has numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, and athletic facilities. The total principal amount outstanding on these bonds is \$106,441,453 for the Alabama College System and \$2,945,000 for Athens State.

<b>PRIMARY GOVERNMENT Governmental Activities Revenue Bonds</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Interest Rates</b>	<b>Bonds Payable Sept. 30, 2002</b>
Alabama Industrial Access Road and Bridge Corporation				
Capital Improvement Bonds, Series 1993A	09/01/93	06/01/03	4.20% to 4.60%	\$ 1,770,000
Capital Improvement Bonds, Series 1994	06/01/94	06/01/04	5.00% to 5.35%	2,295,000
Capital Improvement Bonds, Series 1995	08/01/95	06/01/05	4.55% to 4.90%	3,725,000
Alabama Corrections Institution Finance Authority				
Series 1993-A Refunding Bonds	08/01/93	04/01/06	4.50% to 5.20%	16,610,000
1993-B Serial Bonds	08/01/93	04/01/06	4.50% to 5.20%	4,965,000
1993-B Term Bonds	08/01/93	04/01/13	5.50% to 5.50%	11,870,000
Montgomery Downtown Redevelopment Authority				
Series 2002	07/25/02	10/01/13	2.30% to 5.00%	43,265,000
Alabama Building Renovation Finance Authority				
Serial Bonds, Series 1999	09/01/99	09/01/19	4.20% to 6.00%	23,130,000
Term Bonds, Series 1999	09/01/99	09/01/24	5.63% to 5.63%	11,985,000
Alabama Judicial Building Authority				
1990 Capital Appreciation Bonds	06/01/90	01/01/04	7.00% to 7.25%	6,541,590
Series 1996 Current Interest Bonds	12/01/96	01/01/06	4.20% to 4.85%	7,765,000
Series 1996 Capital Appreciation Bonds	12/01/96	01/01/14	5.15% to 5.75%	20,500,453
Alabama Public Health Care Authority				
Series 1996	05/15/96	10/01/25	5.20% to 7.00%	28,975,000
Alabama Federal Aid Highway Finance Authority				
Series 2002-A	04/01/02	09/01/17	3.25% to 5.25%	<u>200,000,000</u>
Sub-total Revenue Bonds Payable				383,397,043
‡ Less: Unamortized Discounts				(80,461)
§ Plus: Unamortized Premiums				6,505,819
†† Less: Unamortized Loss				<u>(2,932,453)</u>
<b>Net Primary Government Revenue Bonds Payable</b>				<b><u>\$386,889,948</u></b>

§ Unamortized premium is \$3,035,221 for Federal Aid Highway Finance Authority and \$3,470,598 for Montgomery Downtown Redevelopment Authority.

‡ Unamortized Discount \$80,461 for Alabama Building Renovation Finance Authority.

† Balance includes the accretion of interest on capital appreciation bonds in the amount of \$3,753,526 for the Judicial Building Authority 1990 Capital Appreciation Bonds, and \$5,306,014 for the 1996 Judicial Building Authority Capital Appreciation Bonds.

†† Unamortized accounting losses were \$886,539 for the Alabama Building Renovation Finance Authority and \$2,045,914 for Montgomery Downtown Redevelopment Authority.

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

<b>PRIMARY GOVERNMENT-Business-Type Activities Revenue Bonds, Proprietary Funds</b>	<b>Date Issued</b>	<b>Final Maturity</b>			<b>Bonds Payable Sept. 30, 2002</b>
		<b>Date</b>	<b>Interest Rates</b>		
Alabama State Port Authority					
Series 1996	03/01/96	10/01/21	6.10% to 6.30%	\$ 58,000,000	
Series 1997	09/01/97	10/01/17	4.90% to 5.38%	34,665,000	
Series 1998, Refunding Bonds	07/08/98	10/01/22	5.25% to 6.00%	83,980,000	
Series 2001	12/01/01	10/01/26	5.25% to 5.25%	17,855,000	
Alabama College System	Various	Various	3.50% to 13.61%	109,386,453	
Sub-total Revenue Bonds Payable, Proprietary Funds				303,886,453	
§ Less: Unamortized Discounts				(4,378,802)	
<b>Net Primary Government Revenue Bonds Payable, Proprietary Funds</b>					<b>\$ 299,507,651</b>

§ Unamortized discounts \$4,378,802 for Alabama State Port Authority.

<b>Maturity</b>	<b>Revenue Bonds</b>				
	<b>Debt Principal Requirements to Maturity</b>			<b>Business-type Activities</b>	
	<b>Governmental Activities</b>		<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
					<b>Interest</b>
2003	\$ 21,593,663		\$ 19,925,897		\$ 12,044,370
2004	20,624,400		18,816,015		12,562,083
2005	26,335,000		15,655,332		12,955,000
2006	26,435,000		14,487,665		13,655,000
2007	21,371,511		14,934,310		20,550,000
2008-2012	119,205,386		61,682,191		75,875,000
2013-2017	107,182,543		27,521,157		71,515,000
2018-2022	18,420,000		6,940,825		66,500,000
2023-2027	13,170,000		1,433,944		18,230,000
<b>Total</b>	<b>374,337,503</b>		<b>\$ 181,397,336</b>		<b>\$ 189,031,163</b>
Unamort Prem	6,505,819				-
Unamort Loss	(2,932,453)				-
Unamort Disc	(80,461)			(4,378,802)	
	<b>\$ 377,830,408</b>	†			<b>\$ 299,507,651</b>

† The liability reported on the balance sheet includes \$9,059,540 for the accretion of interest on Alabama Judicial Building capital appreciation bonds. The above table shows interest in the year it will be paid, not the year it is accrued.

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## Component Units

- a. **The Alabama Incentives Finance Authority** issues bonds to fund financial commitments to industries relocating to Alabama under the terms of the State's Industrial Incentives legislation. Revenues from the Tennessee Valley Authority to the State "in lieu of taxes" are pledged for the payment of these bonds. At September 30, 2002, the outstanding principal balance of the 1995B bonds was \$33,366,000 which included \$3,366,000 in accreted interest, and the outstanding principal balance of the 1999C bonds was \$41,040,000. The interest rates for the Series 1999C bonds are variable and conditional. The 1999C bonds bear interest at the Weekly Rate, Term Rate or Bank Rate. The rate at 9/30/02 was 1.85%.
- b. **The Alabama Public School and College Authority (APSCA)** is authorized to issue bonds to construct and improve educational buildings. Revenue from the sales and use taxes, the leasing tax, and the utilities gross receipts and use taxes are pledged for the payment of these bonds.
- c. **The State Industrial Development Authority** issues bonds for the purpose of financing projects that promote the industrial development of the State. Revenues from cigarette and tobacco taxes are pledged for the payment of these bonds.
- d. **The Alabama Mental Health Finance Authority** issues bonds for the acquisition, construction, improvement, and equipping of mental health facilities. Revenues from certain tobacco and liquor taxes are pledged for the payment of principal and interest on these bonds.
- e. **The Alabama 21<sup>st</sup> Century Authority** issues bonds for the purpose of promoting economic development and industrial recruitment for the State of Alabama. The bonds are special obligations of the Authority payable solely from the Trust Estate created under the Indenture.
- f. **The Tennessee Valley Exhibit Commission** issued bonds for the purpose of funding the Tennessee Valley Exhibit Center. The full faith and credit of the State do not back these revenue bonds. The principal and interest requirements on these bonds are payable from the revenues of the Commission. If these revenues are insufficient, then the "in lieu of taxes" payments made to the State by the Tennessee Valley Authority are used to pay the debt.
- g. **The Alabama Revolving Loan Fund Authority** issues bonds for the purpose of making grants to the Regional Planning and Development Commissions which are utilized by the grantees as revolving loan funds. Revenues from privilege and license tax on providers of cellular radio telecommunication services are used to pay the debt.
- h. **The Alabama Housing Finance Authority** issues bonds that are limited obligations of the Authority and are not a debt or liability of the State. Each bond issue is secured, as described in the applicable trust indenture, by all revenues, monies, investments, mortgage loans, and other assets in the funds and accounts of the program. Substantially all of the Authority's assets are pledged as security for the bonds. These bonds are variable rate bonds and bear interest at a weekly rate set by the remarketing agent.
- i. **The Alabama Water Pollution Control Authority** issues bonds to provide funds for the purpose of making loans to certain local government units to construct sewage treatment plants and related facilities. Proceeds from loan agreements are used for payment of debt service related to the bonds.
- j. **The Alabama Drinking Water Authority** issues bonds to provide funds for the purpose of making loans to local governments for planning, designing, acquiring, or constructing sanitary drinking water and related facilities. Proceeds from the loan agreements are used for payment of debt service related to the bonds.
- k. **The Alabama Space Science Exhibit Finance Authority** issued bonds to finance the construction of the Space Camp and related housing facilities for the campers. The bonds are secured by a lease of the facilities to the Space Science Exhibit Commission as well as a pledge of all revenues of the Commission. At September 30, 2002, the outstanding principal balance of the 2001 bonds was \$9,955,000. The interest rate for the 2001 bonds is variable and determined by the Remarketing Agent. The rate at September 30, 2002 was 1.98%.
- l. **The Governmental Utility Services Corporation of Jefferson County - Tannehill Historical State Park** was created for the purpose of issuing bonds to acquire and construct a sanitary sewer system and related facilities for the Tannehill State Park, which is operated by the Alabama Historic Ironworks Commission (formerly Tannehill Furnace and Foundry Commission). Three members of the Alabama Historic Ironworks Commission serve as directors of the corporation. The Commission also issued a bond to cover the cost of improvements to the state park and other historic sites operated by the Commission. Revenues of Tannehill State Park are pledged for payment of all bond principal and interest. The bond interest rate is 2.5% below the prime rate as published in The Wall Street Journal. At September 30, 2002, the bond rate was 2.25%.
- m. **The Alabama Higher Education Loan Corporation** issues bonds to provide Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the federal Guaranteed Student Loan Program. The corporation issues tax-exempt revenue bonds in order to fund its operations. The proceeds are used to purchase student loans

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

and fund operating costs of the corporation. The bonds are repaid from principal repayments on student loans, interest, and special allowance payments from the U. S. Department of Education, interest income from investments, guarantee payments on defaulted loans, proceeds from any sale of loans, issuance of refunding bonds, and if necessary, by drawing on the corporation's irrevocable letters of credit. The interest rate for the 1998-A bonds is an auction rate based on an auction period of 35 days. The rate at September 30, 2002 was 1.4%.

**n.** The boards of the various **institutions of higher education** have numerous bond issues outstanding for a variety of purposes. Most were issued for the construction, renovation, and acquisition of buildings for various purposes, including classrooms, research facilities, dormitories, student centers, dining facilities, hospitals, and athletic facilities.

COMPONENT UNITS Revenue Bonds	Date Issued	Final Maturity Date	Interest Rates	Bonds Payable Sept. 30, 2002
Alabama Incentives Finance Authority				
Series 1995-B	09/01/95	09/01/31	10%	\$ 33,366,000
Series 1999-A	10/01/99	10/01/29	6.00% to 6.00%	23,970,000
Series 1999-B	10/01/99	10/01/29	6.25% to 7.88%	66,825,000
Series 1999-C	10/01/99	10/01/29	Variable	41,040,000
Alabama Public School and College Authority				
Refunding Bonds, Series 1993	03/01/93	12/01/05	4.30% to 5.00%	115,140,000
Refunding Bonds, Series 1993-A	10/01/93	08/01/06	4.10% to 6.00%	52,965,000
Series 1996	01/15/96	11/01/07	4.50% to 5.25%	167,530,000
Series 1998	11/01/98	11/01/18	4.25% to 5.25%	300,000,000
Series 1999-A	09/01/99	09/01/29	5.50% to 5.50%	18,360,000
Series 1999-B	09/01/99	09/01/09	7.10% to 7.15%	70,640,000
Series 1999-C	10/01/99	07/01/19	5.50% to 5.75%	250,000,000
Series 1999-D	11/01/99	08/01/19	5.00% to 6.00%	217,790,000
Capital Improvement Bonds, Series 2001A	05/15/01	02/01/21	4.50% to 5.63%	89,750,000
Series 2001-B	12/15/01	05/01/08	5.00% to 5.63%	13,585,000
Series 2001-C	12/15/01	05/01/13	4.13% to 5.00%	83,870,000
Series 2002-A	08/21/02	02/01/22	3.00% to 5.00%	106,145,000
State Industrial Development Authority				
Capital Improvement Bonds, Series 1993	11/01/93	11/01/03	4.40% to 5.00%	2,400,000
Special Tax Bonds, Series 1995	01/01/95	01/01/05	5.50% to 6.00%	3,600,000
Special Tax Bonds, Series 1998	02/01/98	02/01/08	4.00% to 4.30%	8,330,000
Special Tax Bonds, Series 2000	10/01/00	09/01/10	4.65% to 5.00%	5,000,000
Mental Health Finance Authority Bonds				
Series 1995	07/01/95	05/01/15	4.75% to 5.50%	49,725,000
Tennessee Valley Exhibit Commission				
Serial Refunding Bonds, Series 1992	06/01/92	06/01/05	5.90% to 6.40%	1,060,000
Term Refunding Bonds, Series 1992	06/01/92	06/01/10	6.70% to 6.70%	1,545,000
Alabama 21st Century Authority				
Tobacco Settlement Revenue Bonds, Series 2000	09/01/00	12/01/20	5.00% to 6.13%	48,540,000
Tobacco Settlement Revenue Bonds, Series 2001	12/01/01	12/01/19	5.25% to 5.75%	103,760,000
Alabama Revolving Loan Fund Authority				
Series 2000	03/01/00	03/01/20	8.18% to 8.18%	11,485,000
Sub-Total Revenue Bonds, Component Units				\$ 1,886,421,000

Continued on next page

<b>COMPONENT UNITS, Continued</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Interest Rates</b>	<b>Bonds Payable Sept. 30, 2002</b>
<b>Revenue Bonds</b>				
<b>Sub-Total from previous page</b>				\$ 1,886,421,000
Alabama Housing Finance Authority				
Single family Bond Programs	1982-2001	2013-2031	Various	918,605,000
Multi-family Bond Programs	1987-2001	2009-2038	Various	242,697,000
Alabama Water Pollution Control Authority				
Revolving Fund Loan Bonds, Series 1992-A	08/15/92	02/15/16	5.15% to 5.75%	54,210,000
Revolving Fund Loan Bonds, Series 1992-B	12/01/92	08/15/15	5.05% to 6.00%	11,695,000
Revolving Fund Loan Serial Bonds, Series 1993	11/01/93	08/15/16	4.40% to 5.60%	19,065,000
Revolving Fund Loan Term Bonds, Series 1993	11/01/93	08/15/15	5.00% to 5.25%	29,860,000
Revolving Fund Loan Bonds, Series 1994	12/01/94	08/15/17	5.85% to 6.95%	40,175,000
Revolving Fund Loan Bonds, Series 1996-A	01/15/96	08/15/18	5.00% to 5.25%	36,650,000
Revolving Fund Loan Bonds, Series 1996-B	11/01/96	08/15/20	5.25% to 5.50%	35,055,000
1997 Refunding Bonds Maturing in August	10/01/97	08/15/12	4.50% to 5.00%	39,585,000
1997 Refunding Bonds Maturing in February	10/01/97	02/15/13	4.50% to 5.00%	7,415,000
Revolving Fund Loan Bonds, Series 1998-A	01/01/98	08/15/21	4.75% to 4.75%	54,175,000
Revolving Fund Loan Bonds, Series 1998-B	12/01/98	08/15/21	4.25% to 5.00%	57,125,000
Revolving Fund Loan Bonds, Series 1999	12/01/99	08/15/23	4.25% to 6.00%	57,950,000
Revolving Fund Loan Bonds, Series 2000	12/01/00	08/15/23	4.30% to 5.75%	60,715,000
Revolving Fund Loan Bonds, Series 2002A	01/15/02	08/15/24	3.00% to 5.10%	32,485,000
Refunding Bonds, Series 2002-B	02/01/02	08/15/14	3.00% to 5.40%	55,530,000
Alabama Drinking Water Authority				
Revolving Fund Loan Bonds, Series 1998-A	09/01/98	08/15/22	4.00% to 4.85%	31,800,000
Revolving Fund Loan Bonds, Series 2000-A	02/01/00	08/15/21	4.10% to 6.00%	8,030,000
Revolving Fund Loan Bonds, Series 2000-B	02/01/00	08/15/21	8.35% to 8.35%	5,220,000
Revolving Fund Loan Bonds, Series 2000-C	12/01/00	08/15/23	4.30% to 5.50%	25,400,000
Revolving Fund Loan Bonds, Series 2002-A	01/01/02	08/15/24	3.00% to 5.46%	37,575,000
Alabama Space Science Finance Authority				
Space Camp Habitat	08/01/92	08/01/07	6.10% to 6.50%	1,550,000
Refunding Bonds, Series 1995-A	12/01/95	12/01/06	5.00% to 5.90%	2,600,000
Series 1995-B	12/01/95	12/01/10	6.25% to 6.25%	3,520,000
Series 2001	01/24/01	10/01/22	Conditional	9,955,000
Governmental Utility Services Corp of Jefferson County				
Tannehill Historical State Park, Series 1995	Mar 1995	June 2004	Various	40,090
Higher Education Loan Corporation				
Student Loan Revenue Bonds, Series 1994-C	Apr 1994	Mar 2009	4.50% to 6.10%	9,710,000
Student Loan Revenue Bonds, Series 1994-D	Apr 1994	Sept 2010	4.50% to 6.15%	19,680,000
Student Loan Revenue Bonds, Series 1998-A	June 1998	Mar 2033	Various	25,000,000
Sub-total Revenue Bonds Payable, Component Units				\$ 3,819,493,090

**Continued on next page**

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

<b>COMPONENT UNITS, Continued</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Interest Rates</b>	<b>Bonds Payable Sept. 30, 2002</b>
<b>Revenue Bonds</b>				
<b>Sub-Total from previous page</b>				\$ 3,819,493,090
Higher Education				
University of Alabama - Tuscaloosa	1993	2030	2.75% to 7.75%	112,245,000
University of Alabama - Birmingham	1993	2031	1.50% to 6.75%	613,200,000
University of Alabama - Huntsville	05/01/80	05/01/20	3.00% to 8.50%	49,421,000
Alabama A&M University	1980	11/01/25	3.00% to 5.38%	63,065,000
Alabama State University	1965	07/01/23	1.90% to 8.50%	37,278,000
Auburn University	1993	2026	2.80% to 11.50%	204,410,143
Jacksonville State University	1993	2020	2.25% to 5.00%	13,245,000
University of West Alabama	12/1/67	12/1/07	3.00% to 3.00%	3,840,000
University of Montevallo	1983	2023	3.00% to 5.40%	16,143,000
University of North Alabama	1999	2018	3.65% to 5.40%	13,840,000
University of South Alabama	1993	2018	2.80% to 5.25%	99,259,000
Troy State University System	1992	2022	2.75% to 4.70%	48,890,000
Marine Environmental Sciences Consortium	1997	2010	3.00% to 5.41%	1,401,620
Total Revenue Bonds Payable				5,095,730,853
Less: Unamortized Discounts				(17,250,007) †
Less: Unamortized Loss on Defeasances				(10,242,447) ‡
Plus: Unamortized Premium				10,351,330 §
<b>Net Revenue Bonds Payable, Component Units</b>				<b>\$ 5,078,589,729</b>

† Unamortized discounts were \$13,059,890 for the University of Alabama - Birmingham, \$324,591 for Alabama State University, \$87,875 for the University of Montevallo, \$2,886,932 to the Water Pollution Control Authority, \$846,192 for the Drinking Water Authority and \$44,527 for the Space Science Exhibit Commission.

‡ Unamortized accounting loss was \$3,010,410 for Alabama State University, \$873,426 for the Alabama Space and Science Commission, and \$6,358,611 for the Water Pollution Control Authority.

§ Unamortized premiums were \$1,220,326 for the University of Alabama - Tuscaloosa, \$115,868 for Auburn University, \$1,870,812 for Alabama 21st Century Authority, and \$7,144,324 for Alabama Public School and College Authority.

**COMPONENT UNITS**  
**Debt Service Requirements to Maturity**

<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 232,933,688	\$ 225,092,991	\$ 458,026,679
2004	238,291,890	237,854,122	476,146,012
2005	218,929,735	227,809,641	446,739,376
2006	236,316,697	217,401,401	453,718,098
2007	224,800,855	206,300,898	431,101,753
2008-2012	1,139,113,872	880,775,709	2,019,889,581
2013-2017	1,076,433,237	581,446,473	1,657,879,710
2018-2022	764,691,879	327,666,313	1,092,358,192
2023-2027	440,305,000	161,232,239	601,537,239
2028-2032	390,355,000	71,037,830	461,392,830
2033-2037	130,028,000	2,643,000	132,671,000
2038	<u>165,000</u>	<u>9,000</u>	<u>174,000</u>
<b>Total</b>	<b>5,092,364,853</b>	<b>\$ 3,139,269,617</b>	<b>\$ 8,231,634,470</b>
Unamort Disc	(17,250,007)		
Unamort Loss	(10,242,447)		
Unamort Prem	<u>10,351,330</u>		
		<b><u>\$ 5,075,223,729</u></b>	

† The liability reported on the balance sheet includes \$3,366,000 for the accretion of interest on Alabama Incentives Finance Authority capital appreciation bonds. The above table shows interest in the year it will be paid, not the year it is accrued.

#### 4. Refunded and Redeemed Bonds

Advance refunding bonds are issued to retire existing bonds. A portion of the proceeds from the sale of the refunding bonds is deposited with an escrow agent according to an escrow trust agreement. The proceeds are invested by the escrow agent in certain U.S. Treasury obligations in such amounts with certain maturities to provide sufficient funds to pay the remaining maturing principal and interest on the refunded bonds as they become due. The refunded bond debt is considered to be retired for financial reporting purposes even though the debt is still legally outstanding and the issuer of the bonds has not been released from the debt obligations. The U.S. Treasury obligations constitute a trust fund to be held by the escrow agent for the benefit of the holders of the refunded bonds. Advance refundings and early redemptions are discussed in the remainder of this section.

In January 2002, Alabama State University issued \$35,900,000 Series 2002A and 2002B General Tuition and Fee Revenue Bonds which bear interest at 1.90% to 8.50%. The Series 2002A and 2002B net proceeds were used to advance refund the outstanding Series 1993, 1995, and 2001 General Fee Revenue bonds. This current refunding resulted in an accounting loss of \$3,069,048. The University has economic gain of \$2,508,377.

During the year ended September 30, 2002, the Alabama Housing Finance Authority called approximately \$77,567,000 of bonds in advance of their scheduled maturities. The extraordinary loss on early retirement of these bonds is \$664,000 and is primarily comprised of unamortized deferred debt financing costs and unamortized discount.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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On February 1, 2002, the Alabama Water Pollution Control Authority issued \$58,425,000 Series 2002B refunding bonds. The Series 2002B net proceeds were used to refund \$59,770,000 of the outstanding Series 1991 bonds. The refunding resulted in an accounting loss of \$2,200,000. The Authority has economic gain of \$1,900,000.

On August 8, 2002, the Montgomery Downtown Redevelopment Authority issued \$43,265,000 Series 2002 refunding bonds. The Series 2002 net proceeds were used to refund \$55,520,000 of the outstanding Series 1992 bonds. The refunding resulted in an accounting loss of \$2,045,914. The Authority has economic gain of \$4,408,788.

### Defeased Bonds:

#### Component Units

Housing Finance Authority	\$10,370,000
Auburn University	1,395,000
University of Alabama in Tuscaloosa	9,705,000
University of South Alabama	10,765,000
University of Alabama in Birmingham	65,000

### 5. Arbitrage

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August, 1986, to calculate and rebate arbitrage earnings to the federal government. The U.S. Treasury has issued regulations on calculating the rebate amount and complying with the provisions of the Tax Reform Act of 1986. Governmental issuers must comply with the rebate regulation in order for their bonds to maintain tax-exempt status.

The regulations require the excess of the aggregate amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield to be rebated to the federal government. Income earned on excess earnings is also subject to rebate. Rebate payments, if required, are due at least once every five years over the life of the bonds. Bond issues with arbitrage liabilities outstanding at September 30, 2002, were as follows:

<u>Component Units</u>	<u>Amount</u>
Water Pollution Control Authority	\$1,861,172
Drinking Water Finance Authority	621,825
Alabama Higher Education Loan Corp.	8,094,216

These lists are based upon incomplete data since some bond issues have not yet been included in arbitrage calculations. Any refunded bond issue is subject to the rebate requirement until the last bond is redeemed. Bond issues that have already been redeemed may be subject to additional payments if an arbitrage rebate or spending payment is owed and has not been paid.

## 6. Bonds Authorized But Not Issued

**Bonds Authorized But Not Issued**  
**(Amounts in Thousands)**

<b>Primary Government</b>	<b>Authorized</b>	<b>Issued</b>	<b>Unissued</b>
General Obligation Bonds			
State of Alabama	\$ 350,000	\$ 139,955	\$ 210,045
Federal Aid Highway Finance Authority	Unlimited (based on what we receive in federal funds)		
Farmers Market Authority	10,000	-	10,000
Highway Authority	20,000	7,000	13,000
Corrections Institution Finance Authority	98,000	90,000	8,000
Public Health Finance Authority	45,000	30,000	15,000
Parking Deck Authority	13,000	-	13,000
Gulf State Park Authority	70,000	-	70,000
<b>Total Primary Government</b>	<b>606,000</b>	<b>266,955</b>	<b>339,045</b>
Component Units			
State Industrial Development Authority †	100,000	33,390	66,610
Mental Health Finance Authority	35,735	20,000	15,735
Alabama Public School and College Authority	118,500	-	118,500
Alabama Incentives Financing Authority	175,000	103,280	71,720
<b>Total Component Units</b>	<b>429,235</b>	<b>156,670</b>	<b>272,565</b>
<b>Total Reporting Entity</b>	<b>\$ 1,035,235</b>	<b>\$ 423,625</b>	<b>\$ 611,610</b>

† The State Industrial Development Authority is authorized to issue a total of \$100,000,000 in bonds in addition to any bonds authorized prior to 1991.

No more than \$40,000,000 in aggregate principal amount of such bonds may be outstanding at any one time. At 9/30/02, \$21,730,000 was outstanding.

## 7. Forward Delivery Agreements

In September 1994, the Alabama Public School and College Authority (APSCA) and the Alabama Industrial Access Road and Bridge Authority (AIARBA) each entered into debt service forward delivery agreements with Merrill Lynch Capital Services, Inc. (MLCS). Under the agreements, the APSCA received \$9,800,000 and the AIARBA received \$1,084,841. In exchange for the above amounts, each Authority agreed to deposit one-sixth of the semi-annual interest and one-twelfth of the annual principal payable on certain bonds to MLCS each month. MLCS agreed in turn to deliver qualified securities that will mature on or before the bond payment dates. Because the interest that normally would be earned on these deposits belongs to the General Fund, the \$10,884,841 paid by MLCS was deposited in the General Fund. The Agreements are being amortized on a straight-line basis over twelve years. This amortization is reflected in the General Fund as debt service expenditure and interest revenue.

## 8. Interest Swap Agreement

On March 13, 2002, JPMorgan Chase Bank entered into an interest rate swap agreement with the Public School and College Authority (PSCA) with respect to the Authority's Capital Improvement Bonds, Series 1998, Tax-Exempt Special Obligations Bonds, Series 1999-A, Capital Improvement Bonds, Series 1999-C, and Capital Improvement Pool Bonds, Series 1999-D (collectively, the "Bonds"). The Authority received a lump sum payment from JPMorgan Chase Bank in return for an option to

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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swap transactions on the Bonds, whereby the Authority will make a fixed rate payment to JPMorgan equal to the fixed rate payments on the Bonds and JPMorgan Chase will make a corresponding variable rate payments to the Authority determined by the nationally recognized index, LIBOR.

### 9. Resolution Authorizing Issuance of General Obligation Bonds

As security for the State's obligation for certain commitments made to Hyundai Motor Manufacturing Alabama, LLC (HMMA), the State has issued two general obligation bonds payable to HMMA, each in the principal amount of \$27,400,000, which are dated January 1, 2004 and April 1, 2004 respectively. The bonds are to be held in escrow by a trustee with irrevocable instructions that if the State deposits into the Training Equipment Fund (a State account) the sum \$27,400,000 during the last quarter of 2003 and an additional \$27,400,000 during the first quarter of 2004, the general obligation bonds payable to HMMA will terminate and the bonds will be destroyed without delivery. Should the State fail to make the first required deposit of \$27,400,000 by December 31, 2003 the escrow trustee shall deliver the bond dated January 1, 2004 to HMMA and such bond shall begin to bear interest at the post-default rate of 7% until such time as the corresponding deposit into the Training Equipment Fund is made. Similarly, if the State fails to make the second required deposit to the Training Equipment Fund of \$27,400,000 by March 31, 2004, then the escrow trustee shall deliver the bond dated April 1, 2004 to HMMA and such bond shall begin to bear interest post-default rate of 7% until such time as the corresponding deposit into the Training Equipment Fund is made. Each bond shall further provide that, if the applicable payment to the Training Equipment Fund is not made within six months of the date of the bond, then the principal of, and interest on, such bond shall become payable to HMMA in immediately available funds.

### 10. Notes, Mortgages, and Capital Leases

#### Debt Principal Requirements to Maturity

Maturity	Governmental Activities		Business Type Activities		Component Units	
	Principal		Principal		Principal	
2003	\$ 8,420,172		\$ 2,417,365		\$ 29,490,076	
2004	6,597,661		2,084,584		7,974,981	
2005	5,335,460		1,667,806		3,975,041	
2006	4,082,746		962,919		3,470,284	
2007	3,151,313		928,806		3,617,374	
2008-2012	6,720,158		3,894,652		12,689,593	
2013-2017			389,908		7,988,123	
2018-2022					7,269,590	
2023-2027					7,096,011	
2028-2032					5,256,921	
Total	34,307,510		12,346,040		88,827,994	
Interest	(1,248,558)		-		(778,236)	
Net	<b>\$ 33,058,952</b>		<b>\$ 12,346,040</b>		<b>\$ 88,049,758</b>	

## 11. Changes in Long-Term Liabilities

(Amounts in Thousands)	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 433,058	\$ 144,837	\$ (42,815)	\$ 535,080	\$ 47,945
Revenue Bonds	209,362	249,376	(71,847)	386,891	21,594
Capital Leases/Notes/Mortgages	24,781	11,487	(3,209)	33,059	8,420
Forward Delivery Agreement	4,535	-	(907)	3,628	90
Arbitrage	7	-	(7)	-	-
Claims & Judgments	18,000	-	(2,000)	16,000	2,000
Compensated Absences <sup>†</sup>	220,759	3,218	(1,672)	222,305	1,128
<b>Total Governmental Activities</b>	<b>910,502</b>	<b>408,918</b>	<b>(122,457)</b>	<b>1,196,963</b>	<b>81,177</b>
<b>Business-type Activities:</b>					
Bonds Payable:					
Revenue Bonds	282,986	21,395	(4,873)	299,508	12,045
Capital Leases/Notes/Mortgages	13,900	3,118	(4,672)	12,346	2,417
Compensated Absences <sup>†</sup>	10,276	13,789	(2,962)	21,103	5,857
Other Long-Term Liabilities <sup>‡</sup>	2,697	209	-	2,906	-
<b>Total Business-Type Activities</b>	<b>309,859</b>	<b>38,511</b>	<b>(12,507)</b>	<b>335,863</b>	<b>20,319</b>
<b>Total Primary Government</b>	<b>\$ 1,220,361</b>	<b>\$ 447,429</b>	<b>\$ (134,964)</b>	<b>\$ 1,532,826</b>	<b>\$ 101,496</b>
<b>Component Units:</b>					
Revenue Bonds					
Arbitrage	4,554,715	800,999	(277,125)	5,078,589	232,934
Capital Leases/Notes/Mortgages	11,478	10,577	(11,478)	10,577	-
Compensated Absences <sup>†</sup>	83,876	16,082	(11,910)	88,048	29,490
Other Long-Term Liabilities <sup>§</sup>	81,114	13,731	(649)	94,196	20,003
<b>Total Component Units</b>	<b>\$ 26,988</b>	<b>749</b>	<b>-</b>	<b>27,737</b>	<b>-</b>
<b>Total Component Units</b>	<b>\$ 4,758,171</b>	<b>\$ 842,138</b>	<b>\$ (301,162)</b>	<b>\$ 5,299,147</b>	<b>\$ 282,427</b>

<sup>†</sup> Compensated Absences debt is liquidated proportionately by all funds having payroll costs.

<sup>‡</sup> Other Long-term liabilities are payable by the State Port Authority.

<sup>§</sup> Other Long-term liabilities are payable as follows: University of Alabama, \$6,275,000, Auburn University, \$19,100,000, and Troy State University, \$2,362,000.

## 5 INTERFUND ACTIVITY

### A. Interfund Receivables

Interfund receivables/payables between funds of the primary government are reported as Due To/From Other Funds. Interfund receivables/payables between funds of component units are reported as Due To/From Component Units. Interfund receivables/payables which cross between the primary government and component units are reported as Due To/From Component Units or Due To/From Primary Government. A summary of interfund receivables and payables as reported in the fund financial statements is presented in the following two tables:

**STATE OF ALABAMA**

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**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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(Amounts in Thousands)

	<b>DUE FROM</b>		<b>DUE TO</b>	
	<b>Other Funds</b>	<b>Component Units</b>	<b>Other Funds</b>	<b>Component Units</b>
<b>PRIMARY GOVERNMENT</b>				
<b>Major Governmental Funds</b>				
General Fund	\$ 3,638	\$ -	\$ 5,307	\$ 8
Education Trust Fund	376	-	7,618	16
Alabama Trust Fund	-	-	35	-
Medicaid Fund	1,276	73	2,071	11,784
Public Road and Bridge Fund	151	-	1,908	6
Public Welfare Trust Fund	5,482	34	6,151	110
<b>Total Major Governmental Funds</b>	<b>10,923</b>	<b>107</b>	<b>23,090</b>	<b>11,924</b>
<b>Major Proprietary Funds</b>				
Unemployment Compensation	-	-	115	-
Alcoholic Beverage Control Board	11	48	5,714	1,632
<b>Total Major Proprietary Funds</b>	<b>11</b>	<b>48</b>	<b>5,829</b>	<b>1,632</b>
<b>Nonmajor Special Revenue Funds</b>				
Public Health Department	4,883	15	3,585	-
Education Department	7,533	-	864	-
Economic and Community Affairs	441	-	11	-
Revenues Allocated to Local Governments	226	-	-	-
Rehabilitation Services	88	15	388	4
Children First Trust	114	-	2,049	-
Revenue Administrative	10	-	2,568	-
Industrial Relations	521	-	546	-
Conservation and Natural Resources	1,549	-	877	-
<b>Total Nonmajor Special Revenue Funds</b>	<b>15,365</b>	<b>30</b>	<b>10,888</b>	<b>4</b>
<b>Other Special Revenue Funds</b>				
Corrections	1,397	-	21	-
Environmental Management	593	675	656	-
Professional and Occupational Boards	8	-	152	-
Emergency Management	115	-	26	-
Forever Wild	-	-	7	-
Other Special Revenue Funds	4,165	15	3,611	-
<b>Total Other Special Revenue Funds</b>	<b>6,278</b>	<b>690</b>	<b>4,473</b>	<b>-</b>
<b>Nonmajor Capital Projects Funds</b>				
State Parks Improvement Corporation	355	-	1,362	-
<b>Total Nonmajor Capital Projects Funds</b>	<b>355</b>	<b>-</b>	<b>1,362</b>	<b>-</b>
<b>Nonmajor Permanent Funds</b>				
Marine, Game and Fish Endowment	50	-	6	-
<b>Total Nonmajor Permanent Funds</b>	<b>50</b>	<b>-</b>	<b>6</b>	<b>-</b>
<b>Nonmajor Enterprise Funds</b>				
Local Government Employees' Health Insurance	-	-	19	4
Alabama Health Insurance Plan	-	-	1	-
State and Federal Surplus Property	119	-	106	-
Public Education Employees' Health Insurance	-	-	51	-
Other Enterprise Fund	-	-	115	-
<b>Total Nonmajor Enterprise Funds</b>	<b>119</b>	<b>-</b>	<b>292</b>	<b>4</b>

(Amounts in Thousands)

	DUE FROM		DUE TO	
	Other Funds	Component Units	Other Funds	Component Units
<b>Internal Service Funds</b>				
Information Services Fund	\$ 7,545	\$ 438	\$ 150	\$ -
Telecommunications Fund	2,780	107	1,303	10
Service Division Funds	1,440	94	46	-
Printing and Publications	1,199	30	37	-
State Employees' Health Insurance	579	40	276	63
Correctional Industries and Farms	694	2	92	-
Building Renovation Finance Authority	643	-	63	-
Risk Management	531	593	1,087	3
Other Internal Service Funds	366	57	24	-
<b>Total Internal Service Funds</b>	<b>15,777</b>	<b>1,361</b>	<b>3,078</b>	<b>76</b>
<b>Pension Trust Funds</b>				
Peace Officers' Annuity and Benefits	-	-	2	-
<b>Total Pension Trust Funds</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>
<b>Private Purpose Trust Funds</b>				
Prepaid Affordable College Tuition	37	-	42	-
<b>Total Private Purpose Trust Funds</b>	<b>37</b>	<b>-</b>	<b>42</b>	<b>-</b>
<b>Agency Funds</b>				
State Clearing Accounts	139	-	-	-
Payroll	8	-	-	-
<b>Total Agency Funds</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 49,062</b>	<b>\$ 2,236</b>	<b>\$ 49,062</b>	<b>\$ 13,640</b>
COMPONENT UNITS	DUE FROM		DUE TO	
	Component Units	Primary Government	Component Units	Primary Government
<b>Major Component Units</b>				
Mental Health	\$ -	\$ 13,618	\$ -	\$ 1,402
Water Pollution Control Authority	-	-	-	646
<b>Total Major Component Units</b>	<b>-</b>	<b>13,618</b>	<b>-</b>	<b>2,048</b>
<b>Pension Trust Funds</b>				
Employees' Retirement System	-	9	2	2
Teachers' Retirement System	2	-	-	68
<b>Total Pension Trust Funds</b>	<b>2</b>	<b>9</b>	<b>2</b>	<b>70</b>
<b>Nonmajor Component Units</b>				
Drinking Water Finance Authority	-	-	-	37
Historical Commission	-	13	-	15
State Industrial Development Authority	-	-	-	57
Other Nonmajor Component Units	-	-	-	9
<b>Total Nonmajor Component Units</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>118</b>
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 2</b>	<b>\$ 13,640</b>	<b>\$ 2</b>	<b>\$ 2,236</b>

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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### B. Interfund Transfers

Interfund transfers between funds of the primary government are reported as Operating Transfers In/Out. Interfund transfers between funds of component units or between the primary government and component units are reported as revenues and expenses. A summary of interfund transfers, as reported in the fund financial statements, is presented in the following table:

(Amounts in Thousands)

	<b>OPERATING TRANSFERS</b>	
	<b>In</b>	<b>Out</b>
<b>PRIMARY GOVERNMENT</b>		
<b>Major Governmental Funds</b>		
General Fund	\$ 134,041	\$ 143,674
Education Trust Fund	34,240	272,920
Alabama Trust Fund	21,463	205,911
Medicaid Fund	87,003	2,806
Public Road and Bridge Fund	34,455	20,974
Public Welfare Trust Fund	74,309	22,405
<b>Total Major Governmental Funds</b>	<b>385,511</b>	<b>668,690</b>
<b>Major Proprietary Funds</b>		
Unemployment Compensation	-	10,348
State Port Authority	-	18
Alabama College System	249,404	-
Alcoholic Beverage Control Board	615	21,219
<b>Total Major Proprietary Funds</b>	<b>250,019</b>	<b>31,585</b>
<b>Nonmajor Special Revenue Funds</b>		
Public Health Department	13,802	12,556
Education Department	10,792	1,453
Economic and Community Affairs	6,084	17,884
Revenues Allocated to Local Governments	18,140	-
Other Medicaid Funds	-	87,000
Rehabilitation Services	5,904	122
Public School Fund	533	-
Children First Trust	-	366
Revenue Administrative	5,731	2,672
Industrial Relations	14,629	267
Conservation and Natural Resources	9,996	6,160
Other Special Revenue Funds	128,475	71,428
<b>Total Nonmajor Special Revenue Funds</b>	<b>214,086</b>	<b>199,908</b>
<b>Nonmajor Debt Service Funds</b>		
Industrial Access Road & Bridge Authority	4,426	-
Corrections Institution Finance Authority	6,613	-
Public Health Care Authority	353	-
General Obligation Bond	23,860	-
Federal Aid Highway Finance Authority	3,567	-
<b>Total Nonmajor Debt Service Funds</b>	<b>38,819</b>	<b>-</b>
<b>Nonmajor Capital Projects Funds</b>		
Industrial Access Road and Bridge Authority	-	5,277
General Obligation Bond Projects	74,006	42,664
<b>Total Nonmajor Capital Projects Funds</b>	<b>74,006</b>	<b>47,941</b>

	<b>In</b>	<b>Out</b>
<b>Nonmajor Permanent Funds</b>		
Alabama Research Institute	\$ -	\$ 1,014
Other Permanent Funds	353	99
<b>Total Nonmajor Permanent Funds</b>	<b>353</b>	<b>1,113</b>
<b>Nonmajor Enterprise Funds</b>		
Local Government Employees' Health Insurance	-	1,239
Alabama Health Insurance Plan	-	191
State and Federal Surplus Property	535	160
Public Education Employees' Health Insurance	-	2
Other Enterprise Fund	164	1,120
<b>Total Nonmajor Enterprise Funds</b>	<b>699</b>	<b>2,712</b>
<b>Internal Service Funds</b>		
Information Services Fund	-	18,013
Telecommunications Fund	3,405	2,012
Service Division Funds	-	5
Printing and Publications	-	11
State Employees' Health Insurance	1,429	386
Correctional Industries and Farms	2,485	19
Building Renovation Finance Authority	2,836	1,334
Risk Management	-	4
Other Internal Service Funds	-	3
<b>Total Internal Service Funds</b>	<b>10,155</b>	<b>21,787</b>
<b>Pension Trust Funds</b>		
Peace Officers' Annuity and Benefits	-	1
Flexible Employees' Benefit Board	380	-
<b>Total Pension Trust Funds</b>	<b>380</b>	<b>1</b>
<b>Private Purpose Trust Funds</b>		
Education Department Endowment Funds	-	292
<b>Total Private Purpose Trust Funds</b>	<b>-</b>	<b>292</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 974,028</b>	<b>\$ 974,028</b>

### C. Interfund Eliminations

Interfund receivables and payables have been eliminated from the government-wide statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are reported as Internal Balance on the government-wide Statement of Net Assets. Receivables and payables involving fiduciary funds are presented as accounts payable or receivable on the government-wide Statement of Net Assets. Eliminations have also been made in the government-wide financial statements to eliminate the effects of transactions between the Internal Service Funds and the individual functions and business-type activities presented on the government-wide Statement of Activities.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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### **6 RISK MANAGEMENT**

The State manages risk through risk control and risk financing to minimize the adverse effects of certain types of losses. Risk financing includes self-insurance through several different funds. The State Insurance Fund provides coverage for state buildings and contents against fire and casualty losses. The General Liability Trust Fund insures state employees against the risk of loss from employment-related liability claims. The State Employee Injury Compensation Trust Fund was created by the 1994 legislature to provide benefits to eligible state employees for job-incurred injury. The State Insurance Fund, the General Liability Trust Fund, and the State Employee Injury Compensation Trust Fund are administered by the Division of Risk Management of the Department of Finance.

There was no significant reduction in insurance coverage by the three Division of Risk Management funds from the prior year. These funds do not have acquisition costs; therefore, no cost is amortized for the period. The funds use the accrual basis of accounting for reporting purposes. As required by GASB 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools," most investments are recorded at fair value. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Estimated claims liabilities are calculated by the plans' actuary based on prior claims data for the General Liability Trust Fund and State Employee Injury Compensation Trust Fund. For the State Insurance Fund, estimated claims liabilities are based on management's judgment.

The separately issued financial report of the Division of Risk Management contains additional note disclosures and supplementary information regarding claims development and liabilities.

#### **A. The State Insurance Fund**

The State Insurance Fund (SIF) was established in 1923 under *Code of Alabama 1975*, Section 41-15-1 for the purpose of insuring direct physical loss on buildings and contents in which title in whole or in part is vested in the State of Alabama or any of its agencies or institutions or in which funds provided by the State have been used for the purchase of the land, construction of the building, purchase or maintenance of any equipment, machinery, furniture, fixtures or supplies in such buildings and public school buildings together with the contents of all such buildings. All covered property shall be insured for no more than its replacement cost and shall be insured for no less than 80 percent of its actual cash value. City or county boards of education or district boards of education of independent school districts may insure school buildings and property either in the state insurance fund or with an insurance company, whichever in the opinion of such board provides the best coverage for such school buildings and property. The principles of private industry insurance companies are utilized to establish rates, premium discounts, and experience credits to result in equitable premiums charged to policyholders. Excess insurance and reinsurance is acquired to assure the solvency of the fund while providing additional coverage such as earthquake and flood insurance.

The SIF has a \$7,500,000 annual deductible and a \$2,500,000 deductible per occurrence on claims. Excess insurance covers claims exceeding \$7,500,000 with a \$500,000,000 limit. Settlements for 2002 exceeded the SIF's deductibles by \$489,871. Settlements did not exceed the deductible amounts in fiscal years 2000 and 2001.

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The following table presents the changes in claims liabilities for the past two years:

	<b><u>2002</u></b>	<b><u>2001</u></b>
<b>Unpaid Reported Claims Liabilities:</b>		
Unpaid claims and adjustment expense at beginning of year	\$6,551,521	\$5,553,594
<b>Incurred claims and adjustment expenses:</b>		
Provision for insured events of the current year	5,111,611	6,092,020
Increase (Decrease) in provision for insured events of prior years	<u>3,407,740</u>	<u>4,595,734</u>
Total incurred claims and adjustment expenses	8,519,351	10,687,754
<b>Payments:</b>		
Claims and adjustment expenses attributable to insured events of the current year	(2,296,674)	(4,302,954)
Claims and adjustment expenses attributable to insured events of prior years	<u>(5,653,095)</u>	<u>(5,386,873)</u>
Total payments	(7,949,769)	(9,689,827)
Total unpaid claims and adjustment expenses at end of year	7,121,103	6,551,521
<b>Incurred But Not Reported (IBNR):</b>		
Incurred but not reported at beginning of year	1,463,587	1,453,595
Increase (Decrease) in incurred but not reported	<u>(730,525)</u>	<u>9,992</u>
Incurred but not reported at end of year	733,062	1,463,587
<b>Total Unpaid Reported Claims Liabilities and IBNR at end of year</b>	<b><u>\$7,854,165</u></b>	<b><u>\$8,015,108</u></b>

## B. General Liability Trust Fund

The General Liability Trust Fund (GLTF) was established in 1984 to protect state employees from personal financial liability resulting from lawsuits that are based on alleged negligence while acting within the line and scope of state employment. Claims are investigated and defended through the Office of Attorney General. Auto liability is fully reinsured and the re-insurer, American Southern Insurance Company, handles all claims. The GLTF is managed much like a commercial insurance company, with exposure evaluated and commensurate premiums assigned to state agencies. Investment activities are an essential part of the General Liability Trust Fund financial stability to maintain lower-cost employee liability coverage. Funds in excess of those needed for immediate operations will be invested to maximize return and keep premiums down.

The GLTF had a \$3,300,000 deductible on claims. Excess insurance coverage was not renewed in April 2002 so they are currently without excess coverage. Settlements for 2000 exceeded the deductible by \$1,146,304, by \$480,070 in 2001 and \$1,939,950 in 2002.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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The following table presents the changes in claims liabilities for the past two years:

	<u>2002</u>	<u>2001</u>
Unpaid Reported Claims Liabilities:		
Unpaid claims and adjustment expense at beginning of year	\$5,717,009	\$4,459,466
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	2,979,894	775,433
Increase (Decrease) in provision for insured events of prior years	<u>5,297,589</u>	<u>4,394,117</u>
Total incurred claims and adjustment expenses	8,277,483	5,169,550
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(1,251,418)	(15,193)
Claims and adjustment expenses attributable to insured events of prior years	<u>(2,931,605)</u>	<u>(3,896,814)</u>
Total payments	(4,183,023)	(3,912,007)
Total unpaid claims and adjustment expenses at end of year	9,811,469	5,717,009
Incurred But Not Reported (IBNR):		
Incurred but not reported at beginning of year	11,019,711	9,370,605
Increase (Decrease) in incurred but not reported	<u>(242,402)</u>	<u>1,649,106</u>
Incurred but not reported at end of year	10,777,309	11,019,711
Total Unpaid Reported Claims Liabilities and IBNR at end of year	<u>\$20,588,778</u>	<u>\$16,736,720</u>

### C. State Employee Injury Compensation Trust Fund

The State Employee Injury Compensation Trust Fund (SEICTF) was created by the 1994 legislature effective October 1, 1994. Its purpose is to provide benefits to eligible state employees for job-incurred injury. Benefits under SEICTF include all reasonable medical expenses arising from a job-incurred injury, lost wages (including benefits for time lost from the job), and benefits to dependents of employees who are fatally injured on the job. Specifically excluded from coverage are employees of the State Port Authority, educational institutions, and boards of education. A key element in assuring effective and efficient operation of SEICTF was the creation of a statewide medical provider network with a focus on professionals who are experts in treating occupational injury. Excess insurance and reinsurance is acquired to assure the solvency of the fund. Initial operation of the Fund was funded by a transitional authorization of budgeted General Liability Trust Fund and State Employees' Insurance Board.

The SEICTF has a deductible per occurrence. Settlements did not exceed the deductible amounts in fiscal year 2000. Settlements for 2001 exceeded the deductibles by \$108,617 and \$442,114 in 2002.

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The following table presents the changes in claims liabilities for the past two years:

	<u>2002</u>	<u>2001</u>
<b>Unpaid Reported Claims Liabilities:</b>		
Unpaid claims and adjustment expense at beginning of year	\$3,926,111	\$4,157,148
<b>Incurred claims and adjustment expenses:</b>		
Provision for insured events of the current year	739,753	497,471
Increase (Decrease) in provision for insured events of prior years	<u>2,959,010</u>	<u>2,120,795</u>
Total incurred claims and adjustment expenses	3,698,763	2,618,266
<b>Payments:</b>		
Claims and adjustment expenses attributable to insured events of the current year	(584,418)	(541,368)
Claims and adjustment expenses attributable to insured events of prior years	<u>(2,337,671)</u>	<u>(2,307,935)</u>
Total payments	(2,922,089)	(2,849,303)
 Total unpaid claims and adjustment expenses at end of year	 4,702,785	 3,926,111
 <b>Incurred But Not Reported (IBNR):</b>	 	 
Incurred but not reported at beginning of year	2,780,743	2,943,669
Increase (Decrease) in incurred but not reported	<u>640,361</u>	<u>(162,926)</u>
Incurred but not reported at end of year	3,421,104	2,780,743
 Total Unpaid Reported Claims Liabilities and IBNR at end of year	 <u>\$8,123,889</u>	 <u>6,706,854</u>

#### **D. State Employees' Insurance Plan**

The State Employees' Insurance Plan (SEIP) was established in 1965 by Alabama Act No. 833 to provide health insurance benefits for state employees. The SEIP is administered by the State Employees' Insurance Board (SEIB). The monthly premiums for employee and dependent coverage are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans. The State pays a monthly premium for each employee and the employee pays any dependent premium. The SEIB establishes claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled, and of estimated claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs incurred may vary from estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments of the estimated claim liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The SEIB also administers a local government health insurance plan (LGHIP) in the same manner as the SEIP. The following table represents changes in those aggregate liabilities for SEIB during the years ended September 30 (Approximately 75% of claim liabilities are related to SEIP and the remainder to LGHIP):

# STATE OF ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

	<u>2002</u>	<u>2001</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$24,772,691	\$18,324,306
Incurred claims and adjustment expenses:		
Provision for insured claims of the current year	293,865,043	239,442,133
Adjustment to estimated claims incurred but not reported at end of year	<u>4,347,874</u>	<u>3,142,259</u>
Total incurred claims and adjustment expenses	298,212,917	242,584,392
Payments:		
Claims and adjustment expenses attributable to insured claims of the current year	(270,960,372)	(217,058,806)
Claims and adjustment expenses attributable to insured claims of prior years	<u>(20,743,934)</u>	<u>(19,077,201)</u>
Total payments	(291,704,306)	(236,136,007)
Reported claims payable and estimated claims incurred but not reported at end of year	<u>\$31,281,302</u>	<u>\$24,772,691</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable. The separately issued financial report contains note disclosures and supplementary information regarding claims development.

### E. Public Education Employees' Health Insurance

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 by the provisions of *Act 83-455* to provide a uniform plan of health insurance for current and retired employees of state educational institutions and to provide a method of funding the benefits related to the plan. The plan is administered by the Public Education Employees' Health Insurance Board (PEEHIB).

The State contributes a specified amount monthly to each respective participating school system. Each participating school system must then pay the employer rate to the PEEHIF each month. That rate was \$414 per participant for 2002 and \$345 per participant for 2001. In addition to the employer payments each month, the employee pays certain premium amounts. PEEHIB established claims liabilities based on the actual cost of claims reported but not settled, and estimates of claims that have been incurred but not reported. Because actual claims liabilities are affected by complex changing factors such as inflation, medical technology, and changes in legal doctrines, the process used in computing claims liabilities does not result in an exact amount. Actual claims costs ultimately incurred may vary from the estimated claims liabilities depending on the similarities in the nature and frequency of the claims between current and prior years. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

The following table presents the changes in claims liabilities during 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Unpaid claims and claim adjustment expense at beginning of year	\$55,961,869	\$53,096,036
Incurred claims and adjustment expenses:		
Provision for insured events of the current year	585,644,385	513,357,060
Increase (Decrease) in provision for insured events of prior years	<u>(4,802,201)</u>	<u>(5,300,757)</u>
Total incurred claims and adjustment expenses	580,842,184	508,056,303
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(521,678,377)	(457,395,191)
Claims and adjustment expenses attributable to insured events of prior years	<u>(51,159,668)</u>	<u>(47,795,279)</u>
Total payments	(572,838,045)	(505,190,470)
Total unpaid claims and adjustment expenses at end of year	<u>\$63,966,008</u>	<u>\$55,961,869</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

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#### **F. Alabama Health Insurance Plan**

The Alabama Health Insurance Plan (AHIP) was established to provide health insurance coverage to eligible individuals as an alternative to federal oversight required in the Health Insurance Portability and Accountability Act of 1996. AHIP was established in 1997 under Regulation 115 pursuant to Act 97-713, codified as Section 27-52-1 *Code of Alabama 1975*, and is governed by a nine member Board of Directors. The plan provides major medical benefits limited to \$1,000,000 for the lifetime of a participant. The plan provides that participants pay monthly premiums for health insurance coverage. Coverage is also available for eligible dependents of participants. Premiums are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plan.

Regulation No. 115 authorizes the Plan to recoup losses by assessing participating insurers based on their health insurance premiums written in the state for any year in which the Plan incurs a deficit. Assessments in excess of actual losses are to be held in interest and used by the board to offset future losses or to reduce future assessments. AHIP obtained funding from assessments totaling \$8,174,641 and \$8,344,115 in 2002 and 2001, respectively.

AHIP established claims liabilities based on estimates of the ultimate cost of claims (including future retroactive claims adjustments) that have been reported but not settled and of estimated claims that have been incurred but not reported. The estimation of claims costs depends on many factors including historical loss experience. Adjustments of the estimated claim liabilities based on actual results are charged or credited to expense in the periods in which such adjustments are determined.

The following table presents the changes in claims liabilities during the years ended September 30, 2002 and 2001:

	<b><u>2002</u></b>	<b><u>2001</u></b>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$4,258,308	\$3,568,721
Incurred claims:		
Provision for insured events of the current year	23,845,116	19,841,159
Increase (decrease) in provision for insured events of prior years	0	0
Total incurred claims and adjustment expenses	<u>23,845,116</u>	<u>19,841,159</u>
Payments:		
Claims and adjustment expenses attributable to insured events of the current year	(21,086,517)	(17,134,174)
Claims and adjustment expenses attributable to insured events of prior years	(2,239,991)	(2,017,398)
Total payments	<u>(23,326,508)</u>	<u>(19,151,572)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$4,776,916</u>	<u>\$4,258,308</u>

At year-end, unpaid claims liabilities are computed using the gross method without discounting the accrued claims payable.

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

#### **G. Alabama State Port Authority**

The Alabama State Port Authority is partially self-insured with respect to workmen's compensation claims. Claims are self-insured to the extent of claims less than \$300,000 with no aggregate limit with respect to the number of such claims. Additionally, any individual claims in excess of \$5,000,000 are self-insured. An accrual for uninsured claims is included in other accrued liabilities in the statement of net assets. The liability for uninsured claims includes an estimated amount for claims that have been incurred but have not been reported. The following represents changes in those aggregate liabilities for the Authority during the years ended September 30, 2002 and 2001:

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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	<u>2002</u>	<u>2001</u>
Reported claims payable and estimated claims incurred but not reported at beginning of year	\$689,620	\$742,153
Provision for claims	479,165	361,413
Total payments	<u>(294,576)</u>	<u>(413,946)</u>
Reported claims payable and estimated claims payable incurred but not reported at end of year	<u>\$874,209</u>	<u>\$689,620</u>

The separately issued financial report contains additional note disclosures and supplementary information regarding claims development.

## 7 RETIREMENT PLANS

### A. Retirement Systems of Alabama

The Retirement Systems of Alabama (RSA) administers three retirement programs: The Teachers' Retirement Systems, Employees' Retirement Systems, and Judicial Retirement Fund for the benefit of state employees and public education employees.

#### 1. Plan Descriptions

The Teachers' Retirement System of Alabama (TRS) is a cost-sharing multiple-employer defined benefit pension plan, established as of September 15, 1939 under the provisions of the 1939 *Alabama Acts* 419. The system provides retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The Board of Control has responsibility for the general administration and operation of the TRS.

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer defined benefit pension plan established as of October 1, 1945, under the provisions of the 1945 *Alabama Acts* 515. This system provides retirement allowances and other specified benefits for state employees, state police, and employees of cities, counties, towns, and quasi-public organizations on an elective basis. The Board of Control is responsible for the general administration and operation of the ERS.

The Judicial Retirement Fund (JRF) is a cost-sharing multiple-employer defined benefit pension plan, established under the 1973 *Alabama Acts* 1163. This system provides retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the Legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The Board of Control of the ERS administers and operates the JRF.

The TRS, ERS, and JRF provide retirement benefits as well as death and disability benefits as established by state law. The retirement benefit provisions are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service retirement benefits are calculated by two methods with the member receiving payment under the method which yields the highest monthly benefit: (1) minimum guaranteed, or (2) formula. Under the formula method, members of TRS and ERS (except state police) are allowed 2.0125 percent of their final average salary (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875 percent for each year of state police service in computing the formula method. Disability retirement benefits are calculated in the same manner.

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JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge shall be eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65 (5) completed 10 years of credited service and has attained age 70, (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his retirement benefit to commence at the end of the term in which his seventieth birthday occurs is entitled only to the refund of his contributions (except for members with at least 25 years of credited service). The service retirement benefit for a member other than a probate judge is equal to 75 percent of the state-paid salary prescribed by law for the position from which the member retires. If a probate judge is paid on a fee basis, the service retirement benefit is equal to 90% of the benefit payable to a circuit judge on the date such judge retires. If a probate judge is paid on a salary basis, the benefit is equal to 75% of the salary upon which such judge contributes immediately prior to retirement.

A preretirement death benefit is offered in which the account is credited with TRS and ERS employer contributions and investment income on such funds. The preretirement death benefit (group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS or ERS member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The preretirement death benefit is equal to the annual earnable compensation of the member as reported to the system for the preceding year ending June 30, for TRS and September 30, for ERS.

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest, which by law, is not payable to the member, is transferred to the Expense fund.

RSA issues a stand-alone financial report that includes financial statements and required supplementary information (including the six-year trend) for the year ended September 30, 2002. Copies may be obtained by writing to:

The Retirement Systems of Alabama  
P.O. Box 302150  
135 South Union Street  
Montgomery, AL 36130-2150

Title 36, Chapter 27 of the Alabama State Law established the contribution requirements and must be amended by state statute. The law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds.

At September 30, 2002, the number of participating employers in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	255
Counties	-	64
Other Public Entities	-	447
Universities	13	-
Post-Secondary Institutions	29	-
City & County Boards of Education	128	-
State Agencies & Other	33	-
Total	<u>203</u>	<u>766</u>

# **STATE OF ALABAMA**

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## **NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended September 30, 2002

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### **2. Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. The financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board and are considered component units of the State of Alabama.

#### **Investments**

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, or other investment vehicles with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-back securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on the estimate of independent appraisals.

As of September 30, 2002, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represent approximately 5.8 percent and 12.1 percent respectively, of the net assets held in trust for pension benefits. Also, the TRS and ERS owned debt and equity securities of Community News Corporation, which represented approximately 7.3 percent and 8.5 percent, respectively, of the net assets held in trust for pension benefits. Also, the JRF owned debt securities of Texas Utilities Electric, which represented 5.4 percent of the net assets held in trust for pension benefits.

### **3. Contributions Required and Contributions Made**

The actuary has computed, as of the date of the latest available actuarial valuation (June 30, 2002 for TRS and September 30, 2001 for the ERS and JRF), the estimated present value of benefits payable to retired members, beneficiaries and active members. The actuarial valuations are prepared using the entry age method for TRS and ERS, and projected unit credit method for JRF. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the TRS, ERS, and JRF funding policies provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) are sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the TRS and ERS, the normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of the employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

For the JRF, the normal contribution is determined using the "projected accrued benefit" (unit-credit) method. Under this method, the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial accrued liability.

The required contribution rate of active plan members for TRS and ERS (excluding state police and certified law enforcement, correctional officers and firemen) is 5 percent of earnable compensation. State police members of the ERS are required to contribute 10 percent. JRF members and certified law enforcement, correctional officers, and firemen members of the TRS and ERS are required to contribute 6 percent of earnable compensation.

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For fiscal year 2003, the required contribution rate of the employer for ERS (state employees) is 3.95 percent and the rate for TRS is 5.02 percent. The employer contribution rate for ERS state policemen and JRF is 9.24 percent and 21.93 percent, respectively.

**a) TRS and JRF**

A schedule of Employer Contributions for the TRS and JRF (Cost-sharing plans) is shown below:

	<b>Fiscal Year Ended</b>	<b>Annual Required Contribution *</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2000	\$ 277,180	100%
	2001	279,880	100
	2002	265,670	100
<b>JRF</b>	2000	\$ 5,696	100
	2001	7,598	100
	2002	8,222	100

\* Amounts in Thousands

**b) State Employer Segment of ERS**

Contributions in 2002 for agent employer ERS were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at September 30, 1999.

**Actuarial Methods and Assumptions for ERS:**

Valuation Date: September 30, 1999  
Actuarial Cost Method: Entry Age  
Asset Valuation Method: 5 Yr Smoothed Market  
Amortization Method: Level Percent Open  
Remaining Amort Period: State Employees 15 years, State Policemen 18 years  
Period Closed/Open: Open  
Actuarial Assumptions:  
Investment Rate of Return: 8% \*  
Projected Salary Increases: 4.61%-7.75% \*  
Cost of Living Increases: None

\*Includes inflation at 4.5%

**Three-Year Trend Information:**

<b>Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2000	\$ 43,945,164	100%	0
2001	47,538,835	100	0
2002	46,161,155	100	0

**B. Other Pension Plans**

The State Port Authority administers two single-employer pension plans, the Hourly Plan and the Terminal Railway Plan, for a small number of hourly workers and railway employees. The Peace Officers Annuity and Benefit Fund is a cost-sharing multiple-

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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employer defined benefit pension plan that provides a small additional pension benefit to State and local peace officers beyond that which is paid by the Employees' Retirement System. The Clerks and Registers Supernumerary Fund is a cost-sharing multiple-employer defined benefit pension plan that provides pension benefits to circuit clerks and registers of courts. The Alabama Housing Finance Authority established the Alabama Housing Finance Authority Employees' Pension Plan (Plan), a single-employer defined benefit pension plan on September 26, 2002. The Plan provides retirement, death, disability and termination benefits to plan participants and beneficiaries. These pension plans are not material to the State.

### 8 DEFERRED COMPENSATION

The State offers employees the opportunity to participate in an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all state employees and permits them to defer a portion of their salary until future years. The current value of the employee contributions may be withdrawn upon termination, retirement, death, or an unforeseeable emergency.

It is the opinion of the State's legal counsel that the State has no liability for losses under this plan but does have the duty of due care that would be required of an ordinary prudent investor.

The Public Employees' Individual Retirement Account Fund/Deferred Compensation Plan (RSA-1) is administered and operated by its Board of Control. All members of the Teachers' Retirement System of Alabama, Employees' Retirement System of Alabama, Judicial Retirement Fund, and employees of employers eligible to participate in the Employees' Retirement System, are eligible to participate in this plan. At September 30, 2002, plan assets, net of warrants payable, totaled \$672,604,994.

State employees may also participate in a plan administered by the Public Employees' Benefit Services Corporation (PEBSCO). This plan is also a deferred compensation plan organized under IRC Section 457. The plan contract has been modified in accordance with new legislation that requires the assets to be held in trust for the benefit of plan participants. The State has no fiduciary responsibility for the assets and therefore does not include the plan in its reporting entity.

### 9 POSTEMPLOYMENT HEALTH BENEFITS

In addition to the pension benefits described in The Retirement Systems of Alabama note, the State provides postretirement health care benefits, in accordance with *Code of Alabama 1975*, Section 36-29-10, to all retired state employees through the State Employees' Health Insurance Plan (SEHIP) and, in accordance with *Code of Alabama 1975*, Section 16-25A-17, to all retired employees of State educational institutions through the Public Education Employees' Health Insurance Plan (PEEHIP). Employees covered under these two plans who retire from active service and begin receiving monthly benefits from the Employees' Retirement System of Alabama or from the Teachers' Retirement System of Alabama may elect to continue coverage under the group insurance plan by consenting to have deducted from their monthly benefit payment the difference in the total cost of their insurance coverage and the portion authorized to be expended by the SEHIP or the PEEHIP for coverage of such retired employees.

The cost of teachers' retiree health care benefits is recognized as an expenditure to PEEHIP as claims are paid. The cost of the benefits is paid from the regular appropriations made to individual education entities. Total active enrolled members were 96,854 and total retired members were 44,524 in fiscal year 2002. The retired employee allocation is funded through the active employee premium. Of the active employee premium, approximately \$96,396,000 was on behalf of retired members of PEEHIP for fiscal

year 2002. Retirees who are eligible for Medicare benefits must pay \$1.14 per month for the Hospital/Medical coverage while those who are not eligible for Medicare must pay \$78.00 per month for the coverage. Optionally, the retirees may use this insurance allocation to purchase two plans of supplemental insurance offered by PEEHIP with no out-of-pocket cost. Total premiums paid to PEEHIP by retirees for Hospital/Medical coverage was \$11,886,016 for the year. The retirees must pay additional premiums to cover their dependents.

The State provides health care benefits for retired state employees through SEHIP. The cost of benefits is recognized as an expense in the month in which it is incurred. The State pays 100 percent (\$110 per month) of the premium for a retiree who is over 65 and eligible for Medicare for a total cost to the State in 2002 of \$12,211,320. The State pays a portion of the premium for a retiree who is under 65 at a total cost to the State in 2002 of \$5,975,750. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the active employee premiums each agency pays for its active employees. Average enrollment in 2002 was 9,251 for retirees over 65, and 4,527 for retirees under 65. COBRA insurance is also available to state employees who terminate state service, but the employee is liable for the premiums.

## 10 RELATED ORGANIZATIONS

The State's officials are responsible for appointing a majority of the members of the boards of other organizations, but the State's accountability for these organizations does not extend beyond making appointments. The State appoints the nine-member board of the Private Colleges and Universities Facilities Authority and a majority of the five-member Alabama Shakespeare Festival Finance Authority.

## 11 JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

### A. Joint Ventures

The Tennessee-Tombigbee Waterway Development Authority is a joint venture created by a compact executed between the State of Alabama and the States of Mississippi, Tennessee, and Kentucky. Its purpose is to develop and promote a navigable waterway between the Tennessee and Tombigbee rivers and provide a nine foot deep navigable channel. The State of Alabama provided \$104,823 and \$109,037 to the Authority for fiscal year 2002 and fiscal year 2001, respectively. The fiscal year of the Tennessee-Tombigbee Waterway Development Authority ends on December 31. Key financial data for the Authority is shown below.

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>
Current Assets	\$ 271	\$ 268
Capital Assets	<u>33</u>	<u>34</u>
Total Assets	304	302
Liabilities	-	-
Fund Balance	304	302
Revenues	293	316
Expenditures	290	325

Complete financial statements for the Authority can be obtained at P. O. Drawer 671, Columbus, MS 39703.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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### B. Jointly Governed Organizations

The Historic Chattahoochee Commission is a jointly governed organization that was created by a compact executed between the State of Alabama and the State of Georgia. The Commission had \$428,291 in revenues in 2002, \$162,294 of which was received from the State's General Fund. The remainder was from other revenue sources and the State of Georgia.

## 12 RELATED PARTY TRANSACTIONS

The Montgomery Downtown Redevelopment Authority, a public corporation, issued \$65,200,000 of bonds in 1988 to construct the Gordon Persons state office building. These bonds were partially refunded in 1992 with a new bond issue of \$66,150,000. The Series 1992 bonds were refunded in 2002 with a new bond issue of \$43,265,000. The bonds' final maturity is on October 1, 2013. Members of the board of directors of the Authority are appointed by officials of the City of Montgomery, but the Authority is not a part of the City's reporting entity and is therefore considered a separate "stand-alone government." The bonds issued constitute conduit debt obligations of the Authority, and are therefore reported as revenue bond debt of the State. The Authority has also issued conduit debt on behalf of other governments and third parties, none of which is reported in these financial statements.

The State operates and maintains the building and has entered into an agreement with the Authority whereby the rental payments from state agencies occupying the building are paid to the Authority, which then uses the money to pay the bond principal and interest. The payments to the Authority are reported by the State as debt principal and interest expenditures.

These financial statements exclude certain foundations and other organizations affiliated with state colleges and universities. While the purpose of these foundations and associations is to operate exclusively for the benefit of the colleges and universities, the colleges and universities are not financially accountable for them; therefore, such organizations do not constitute component units under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity." These are: the University of Alabama in Huntsville (UAH) Foundation, the UAH Eminent Scholar Foundation, the University of Montevallo Foundation, the University of South Alabama (USA) Foundation, the USA Health Services Foundation, the National Alumni Association of the University of Alabama, the Capstone Foundation, the University of Alabama Law School Foundation, the Auburn University Foundation, and the Auburn Alumni Association the University of South Alabama (USA) Foundation, the USA Health Services Foundation, the Alabama A & M Foundation, the Alabama State University Foundation, the Alabama State University Trust for Educational Excellence, the Jacksonville State University Foundation, the Jacksonville State Alumni Association, the University of Alabama Birmingham Educational Foundation (UABEF), the University of Alabama Birmingham Research Foundation (UABRF), the University of Alabama Health Services Foundation, P.C. (HSF), and the Troy State University Foundation, Inc.

The University of Alabama Birmingham Educational Foundation made contributions to the University of Alabama at Birmingham of \$3,951,000 during the 2002 fiscal year, and the University generated \$27,285,000 in unrestricted current revenues from transactions with HSF.

The University of Alabama at Birmingham (UAB) and HSF have entered into an agreement dated October 7, 1996 which established a common management group, the UAB Health System. The purpose of this agreement is to provide common management for their existing and future health care delivery operations. UAB contributed \$4,165,000 during 2002 to the UAB Health System Board.

The University of South Alabama Health Services Foundation, the South Alabama Medical Science Foundation, and the USA Research and Technology Corporation reimburses the University for certain administrative and other support services. Total amounts received for such services in 2002 were \$17,260,000 from the Health Services Foundation, \$1,285,000 from the Medical Science Foundation, and \$121,000 from the USA Research and Technology Corporation.

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The Alabama Higher Education Loan Corporation and the Alabama Commission on Higher Education (ACHE) have entered into an agreement in which ACHE receives servicing fees for providing administrative and loan processing assistance to the Corporation. Total servicing fees, loan processing costs and administrative costs paid by the Corporation to ACHE were \$876,170 and \$994,700 for the years ended September 30, 2002 and 2001, respectively.

## 13 CONTINGENCIES

### A. Grants

The State receives federal grants for specific purposes that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes.

Federal grantor agencies from time to time review State records to determine whether the State has complied with the terms and conditions of grant agreements and federal regulations. Any disallowance resulting from a federal audit may become a liability of the State but cannot be reasonably estimated at this time. It is believed that any liability resulting from a determination of noncompliance will not materially affect the State's financial condition.

### B. Tobacco Settlement

As a party to a successful multi-state legal settlement with the tobacco industry, the State received \$103.1 million in fiscal year 2001 and \$121.6 million in 2002. This settlement money is intended to compensate the State for smoking related health care costs incurred by various State programs. Annual payments will continue and could total \$3.2 billion over 25 years but future settlement payments are subject to adjustment for a number of factors such as inflation, the effect of other lawsuits, decreased sales volume and the financial health of the tobacco companies. Because the exact amount of the future settlement amounts is not measurable, no receivable for these amounts is recorded in these financial statements.

### C. Litigation

The State is a party to numerous legal proceedings that occur in the normal course of governmental operations, some of which involve significant amounts. The lawsuits involving significant amounts are described below. Proceedings involving amounts that, when aggregated, will have no material effect on the accompanying government-wide financial statements may have an impact on the related state agencies and funds. The monetary impact, if any, of litigation resulting in adverse rulings is usually addressed in subsequent state budgets and modifications of state laws. Due to the uncertainty involving the ultimate outcome and amounts of the unresolved litigation described below, no provision for potential liability has been recorded in the accompanying financial statements.

Lee v. Macon is a group of cases arising from the desegregation cases filed in the 1960s. The State Board of Education was brought back into these cases in 1997 and is assisting local school districts in negotiating Consent Decrees with the Justice Department, NAACP Legal Defense, and plaintiffs' attorneys. The goal is the creation of unitary school districts, in which the vestiges of segregation have been removed from all aspects of the operation of public schools. State attorneys continue work on statewide issues and with local districts for unitary status decrees. A statewide consent decree has been negotiated for special education and is being negotiated for facilities.

Two ongoing lawsuits, Johnny Reynolds, et al. v. Alabama Department of Transportation, et al., and Eugene Crum, Jr., et al. v. State of Alabama, et al., involve employment discrimination. These are class-action lawsuits alleging that the State has engaged in illegal discriminatory practices in the hiring and promoting of employees. The parties in the Reynolds case have entered into a court-approved settlement effective in April 1994; however, numerous issues have been raised before the Court regarding the implementation of the settlement. The total cost of the Reynolds case has exceeded \$185,000,000, with additional costs likely to be incurred in future settlement negotiations. The Crum case is still in the discovery stage, and the potential cost is currently undeterminable.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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The State of Alabama has been involved in several lawsuits challenging the constitutionality of the franchise tax in effect before 2000. The U. S. Supreme Court ruled that Alabama's franchise tax unconstitutionally discriminated against interstate commerce. The State is continuing to negotiate settlements with corporations for refunds of the unconstitutional tax, with estimated total refunds of \$250,000,000. The State Legislature enacted laws to remedy the significant loss of revenue; however, the amounts being collected under the new laws are significantly less than those collected prior to fiscal year 2000.

The Department of Revenue is also involved in twelve additional significant tax-related lawsuits or actions that challenge the legality of certain taxes or challenges other provisions of tax laws and procedures. These cases have a combined potential liability or loss of revenue of approximately \$38,500,000. Adverse rulings in these cases could also reduce future revenues.

The Department of Human Resources is involved in many lawsuits that occur in the normal course of its operations, the most significant of which is the R. C. v. Fuller case concerning the care and custody of emotionally disturbed children and children with behavioral disorders. The Department of Human Resources has until October 1, 2002 to comply with a Consent Decree approved by the Court whereby a new child welfare system, known as the "System of Care" will be fully implemented. Currently, there are 61 counties in compliance with the Consent Decree. Two counties (Elmore and Madison) will be making presentations to the court monitor to determine compliance. There are five counties that are severely delayed and have failed to meet the court-ordered deadlines to comply with the Consent Decree. They are Lawrence, DeKalb, Calhoun, Cullman, and two regions of the Jefferson County DHR office (South and West). The child welfare administrators in these counties are currently reporting directly to the Commissioner of Human Resources.

The Alabama Medicaid Agency has two cases (Alicia Jones v. Governor Don Siegelman and Mike Lewis, and Nicholas Folk Dupree and Ruth Belasco v. Governor Bob Riley and Mike Lewis) concerning restrictions on services provided to recipients over the age of 21. The plaintiffs are seeking to have the same coverage for persons over 21 as that for persons under the age of 21.

The Department of Mental Health and Mental Retardation has nineteen lawsuits that have occurred in the normal course of its operations related to treatment, injuries, and deaths of patients or recipients of mental health services. These cases have a combined potential liability of more than \$80,000,000.

The Department of Corrections has one significant case, Laube v. Haley, a class action alleging overcrowding and conditions of confinement issues at its institutions for female prisoners (primarily at Tutwiler prison). The court has ordered the Department of Corrections to take steps to relieve the overcrowding and other conditions at its facilities. In addition, the Department of Corrections has been ordered by the courts on other cases to relieve the overcrowding of county jails with state inmates awaiting transfer to a state facility. The Department also has lawsuits that have occurred in the normal course of its operations related to treatment, injuries, and deaths of prisoners and victims of prisoners.

The Department of Youth Services is involved in seven significant cases that have occurred in the normal course of their operations related to the incarceration, treatment, and several alleged abuses of youths. One of the abuse cases originally consisted of several lawsuits that have been consolidated where the plaintiffs have demanded in excess of \$171,000,000. The remaining cases have a combined potential liability of more than \$5,000,000.

In addition to the Reynolds case described above, the Department of Transportation is involved in several other significant cases. In Harbert International Inc. v. Alabama Department of Transportation, the plaintiff is claiming approximately \$13,000,000 for work performed on the Cochrane Bridge in Mobile. The Department of Transportation is also involved in three wrongful death cases. Other cases concern groundwater contamination in and around the Department's Montgomery facilities, possibly affecting three residential neighborhoods, which will require the Department to expend funds to clean up the site and for any potential condemnations of residences.

## **14 SUBSEQUENT EVENTS**

Subsequent to September 30, 2002, the airline industry has suffered significant losses due to the decline in travel, which resulted from the economic downturn and continued threats of terrorist attacks. As of September 30, 2002, the airline industry investments, at fair value, were \$349,125,000 for the Teachers' Retirement System (TRS), \$169,005,000 for the Employees' Retirement System (ERS), and \$19,726,000 for the Judicial Retirement Fund (JRF). These investments declined to \$166,061,000 for the TRS, \$80,070,000 for the ERS, and \$9,491,000 for the JRF as of January 31, 2003.

On January 1, 2003, the Alabama Corrections Institution Finance Authority issued Series 2003 Revenue Bonds totaling \$21,530,000. The interest rates on the bonds range from 3 percent to 5 percent to be paid semiannually on each April 1 and October 1, beginning April 1, 2003. The maturity date of the bonds is April 1, 2015. The proceeds of the bonds are to refund the outstanding 1993B bonds.

On December 1, 2002, the Alabama Public School and College Authority issued Series 2002-B bonds in the amount of \$27,705,000. The interest rates on the Series 2002-B bonds range from 4 percent to 5 percent. Interest will be payable semiannually on each June 1 and December 1, beginning December 1, 2003. The maturity date of the Series 2002-B is December 1, 2028.

On January 1, 2003, the Water Pollution Control Authority issued Series 2003A Revolving Loan Bonds in the amount of \$30,985,000. The Series 2003A bonds include \$18,250,000 series bonds commencing August 15, 2006 and due August 15, 2023, which bear interest rates ranging from 3 to 5 percent and \$12,735,000 term bonds due August 15, 2026 which bear interest at 5 percent.

On January 1, 2003, the Water Pollution Control Authority issued Series 2003B Revolving Loan Bonds in the amount of \$52,650,000. The bonds will commence on February 15, 2004 and are due on February 15, 2016. The interest rates on the bonds range from 3 to 4.38 percent.

On January 1, 2003, the State Industrial Development Authority issued Series 2003 Revenue Bonds totaling \$5,000,000. The interest rates on the bonds range from 3 percent to 5 percent to be paid semiannually on each July 1 and January 1, beginning July 1, 2003. The maturity date of the bonds is July 1, 2013.

From October 1, 2002 through December 6, 2002, the Alabama Housing Finance Authority called approximately \$35,275,000 of bonds prior to their scheduled maturities.

On December 17, 2002, the University of Alabama issued \$11,455,000 in Series 2002 Revenue Bonds. The interest rates on the bonds range from 2.5 percent to 3.8 percent. The maturity date of the bonds is December 1, 2013. The proceeds will be used to refund \$11,630,000 of the Series 1993A bonds.

Subsequent to September 30, 2002, the University of Alabama-Huntsville issued \$21,855,000 in revenue bonds which bear interest ranging from 1.4 percent to 5.05 percent. The maturity date of the bonds will be in 2026. The proceeds will be used to refund \$3,950,000 of the Series 1992A bonds and \$16,620,000 of the Series 1993A bonds.

On January 15, 2003, Auburn University issued \$21,900,000 in Series 2003 revenue bonds. The bonds pay interest ranging from 2.25 percent to 5 percent and maturing in 2010. The proceeds will be used to refund \$22,000,000 or Series 1993 bonds.

On January 16, 2003 the Alabama Public School and College Authority (the "Authority") entered into an agreement to amend the Interest Rate Swap Agreement (Swap Option Agreement) of March 13, 2002. In exchange for a lump sum payment an amendment to the original agreement changed the variable rate payment calculation of the amount that the Authority will receive from JPMorgan Chase Bank in the Event that JPMorgan Chase Bank exercises its option under the Swap Option Agreement.

# STATE OF ALABAMA

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## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2002

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On January 16, 2003 the 666 Bond Commission, by resolution, authorized the issuance of four bonds, each in the principal amount of \$20 million payable to the Alabama Port Authority which are being held in escrow. Bond number one is dated January 1, 2004, and matures on July 1, 2004. Bond number two is dated January 1, 2005, and matures on July 1, 2005. Bond number three is dated January 1, 2006, and matures on July 1, 2006. Bond number four is dated January 1, 2007, and matures on July 1, 2007. If the State makes a payment of \$20 million to the Port Authority on or before December 31, 2003, the obligations evidenced by bond number one will terminate. If the State makes a payment of \$20 million on or before December 31, 2004, the obligations evidenced by bond number two shall terminate. If the State makes a payment of \$20 million on or before December 31, 2005, the obligations evidenced by bond number three shall terminate. If the State makes a payment of \$20 million on or before December 31, 2006, the obligations evidenced by bond number four shall terminate.

At September 30, 2002, the Alabama Trust Fund held fixed-income debt securities in U.S. Air. The amortized cost at September 30, 2002 was \$21,757,008 while the fair value was \$16,734,056. At December 31, 2002, the fair value of the securities was \$4,766,262 and collectibility of principal was not determinable as U.S. Air is in Chapter 11 bankruptcy. No accruals for any loss contingency related to the securities of U.S. Air have been made in the financial statements.

At September 30, 2002, the Alabama Trust Fund held fixed-income debt securities in American Airlines. The amortized cost at September 30, 2002 was \$24,251,700 while the fair value of the securities was \$19,854,830. At December 31, 2002, the fair value of the securities of American Airlines was \$10,464,847. No accruals for any loss contingency have been made in the financial statements.

On December 18, 2002, Merrill Lynch Capital Services, Inc. (MLCS) entered into an interest rate swap agreement with the Alabama State Port Authority (the Authority) with respect to the Authority's Series 1996 Bonds (the Bonds). The Authority received a lump sum payment from MLCS in return for an option to swap transactions on the Bonds, whereby the Authority will make a fixed rate payment to MLCS equal to the fixed rate payments on the Bonds and MLCS will make a corresponding variable rate payments to the Authority determined by the nationally recognized index, LIBOR.

**STATE OF ALABAMA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Budgetary Comparison Schedule**

**General Fund and Education Trust Fund**

**For the Fiscal Year Ended September 30, 2002**

**(Amounts in Thousands)**

	GENERAL FUND				EDUCATION TRUST FUND			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget	Budgeted Amounts		(Budgetary Basis)	Actual with Final Budget
	Original	Final			Original	Final		
<b>REVENUES</b>								
Taxes	\$ 841,312	\$ 852,507	\$ 810,316	\$ (42,191)	\$ 4,080,769	\$ 4,061,656	\$ 4,049,406	\$ (12,250)
Licenses, Permits and Fees	125,912	127,587	121,273	(6,314)	481	479	478	(1)
Fines and Forfeits	18,894	19,145	18,198	(947)	-	-	-	-
Investment Income	37,752	38,254	36,361	(1,893)	-	-	-	-
Other Revenues	1,332	1,350	1,283	(67)	433	431	430	(1)
<b>Total Revenues</b>	<b>1,025,202</b>	<b>1,038,843</b>	<b>987,431</b>	<b>(51,412)</b>	<b>4,081,683</b>	<b>4,062,566</b>	<b>4,050,314</b>	<b>(12,252)</b>
<b>EXPENDITURES</b>								
Administrative Office of Courts	117,666	122,945	122,945	-	-	-	-	-
Agriculture and Industries	13,753	13,903	13,800	103	-	-	-	-
Attorney General	9,831	9,831	9,831	-	-	-	-	-
Auditor	956	956	931	25	-	-	-	-
Commission on Higher Education	-	-	-	-	13,055	13,048	12,703	345
Corrections	197,391	197,391	197,376	15	-	-	-	-
Economic and Community Affairs	24,895	23,757	22,425	1,332	-	-	-	-
Education	-	-	-	-	2,809,465	2,795,589	2,793,141	2,448
Emergency Management	4,837	5,818	2,682	3,136	-	-	-	-
Examiners of Public Accounts	12,003	12,003	12,003	-	2,861	2,861	2,861	-
Finance	8,444	8,353	8,084	269	2,179	-	-	-
Governor	4,552	5,339	4,747	592	-	-	-	-
Industrial Relations	667	667	665	2	-	-	-	-
Legislature	18,996	19,096	15,423	3,673	-	-	-	-
Medicaid	231,726	232,219	232,219	-	-	-	-	-
Postsecondary Education	-	-	-	-	252,761	252,186	252,180	6
Public Health	50,833	50,833	50,833	-	15,236	15,236	15,229	7
Public Safety	62,699	62,699	62,497	202	-	-	-	-
Rehabilitation Services	2,104	2,104	2,104	-	27,929	27,904	27,899	5
Revenue	125	125	60	65	-	-	-	-
Secretary of State	1,740	1,772	1,490	282	-	-	-	-
Treasurer	2,921	2,921	2,352	569	-	-	-	-
Youth Services	16,656	16,656	16,656	-	48,687	48,594	47,821	773
Colleges and Universities	-	-	-	-	855,879	853,832	853,832	-
Other	175,420	183,002	168,675	14,327	88,755	93,737	87,516	6,221
<b>Total Expenditures</b>	<b>958,215</b>	<b>972,390</b>	<b>947,798</b>	<b>24,592</b>	<b>4,116,807</b>	<b>4,102,987</b>	<b>4,093,182</b>	<b>9,805</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>								
<b>Expenditures</b>	<b>66,987</b>	<b>66,453</b>	<b>39,633</b>	<b>(26,820)</b>	<b>(35,124)</b>	<b>(40,421)</b>	<b>(42,868)</b>	<b>(2,447)</b>
<b>OTHER FINANCING</b>								
<b>SOURCES (USES)</b>								
Operating Transfers In	168,390	170,630	162,186	(8,444)	83,594	83,203	82,952	(251)
Operating Transfers Out	(235,377)	(237,083)	(236,703)	380	(48,470)	(42,782)	(42,347)	435
<b>Total Other Financing Sources (Uses)</b>	<b>(66,987)</b>	<b>(66,453)</b>	<b>(74,517)</b>	<b>(8,064)</b>	<b>35,124</b>	<b>40,421</b>	<b>40,605</b>	<b>184</b>
<b>Net Change in Fund Balances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (34,884)</b>	<b>\$ (34,884)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (2,263)</b>	<b>\$ (2,263)</b>

**STATE OF ALABAMA**

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**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule

Budget-to-GAAP Reconciliation

For the Fiscal Year Ended September 30, 2002

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	General Fund	Education Trust Fund
<b>Net Change in Fund Balances</b>	<b>(34,884)</b>	<b>(2,263)</b>
Reconciliation to GAAP Basis:		
<i>Basis Differences:</i>		
Accruals of revenues and other revenue adjustments	131,145	76,679
Accruals of expenditures	(4,613)	(511)
To remove asset purchases treated as budgetary expenditures	1	-
To remove encumbrances recognized as expenditures	1,181	3,648
<i>Timing Differences:</i>		
Prior budget year revenue adjustments	(52,106)	(318,535)
To remove budget expenditures not accrued as liabilities	5,328	(306)
To recognize prior budget year expenditures	<u>(5,770)</u>	<u>(3,763)</u>
<b>Net Change in Fund Balances - GAAP Basis</b>	<b>40,282</b>	<b>(245,051)</b>
<b>Fund Balances, October 1, 2001, as restated</b>	<b>111,956</b>	<b>326,862</b>
Increase (Decrease) in Inventory	(210)	-
<b>Fund Balances, September 30, 2002</b>	<b><u>\$ 152,028</u></b>	<b><u>\$ 81,811</u></b>

# **STATE OF ALABAMA**

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## **REQUIRED SUPPLEMENTARY INFORMATION** Notes on Budgetary Accounting and Reporting

For Fiscal Year Ending September 30, 2002

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### **A. Budgetary Process**

Formulation of the budget begins with the preparation of estimates of expenditure requirements for the next fiscal year by the administrative head of each budgeted agency and institution. These estimates are submitted annually to the Executive Budget Office of the Finance Department on or before the first day of the third month preceding each regular session of the Legislature. The budget is prepared by program elements for each agency. Requested changes in programmatic expenditures over the prior fiscal year must be explained, and proposed capital expenditures must be justified as required by the Executive Budget Office.

The budget document, as finally developed by the Governor, is published and transmitted to the Legislature on or before the second legislative day of each regular session. For each agency, comparative summaries of appropriations and revenues are presented for the prior year, current year, the agency's request for the next year, and the Governor's recommendation for the next year. The recommended appropriation bills indicate the programmatic appropriation to each agency and the source of funds from which each appropriation is to be paid. The Legislature then legally enacts the State budget into law through the passage of a number of bills as Appropriation Acts. Some conditional appropriations are mentioned in the Appropriation Acts. The agencies do not include these conditional amounts in the original budget. During 2002 approximately \$12 million of conditional appropriations and \$2 million of emergency and supplemental appropriations were distributed to various agencies from the General Fund. Emergency appropriations cannot exceed two percent of the total amount appropriated. The Administrative Office of the Courts budget increased by approximately \$5 million. The other \$9 million in appropriations were distributed to various other agencies. The Education Trust Fund appropriations were reduced by approximately \$20 million because of a decrease in the employer cost rate for the Teachers' Retirement System.

The Appropriation Acts budget by agency and program rather than by GAAP basis funds. The State funds its budgetary activities under three budgetary fund groups. The first is the General Fund, which includes many of the general operations of the three branches of government. The second is the Education Trust Fund (ETF), which is restricted to funding all levels of educational activity in the State. The third budgetary group is referred to in the budget documents as Earmarked Funds. The Earmarked Funds group includes the operations of most governmental funds of both the primary government and the component units, as well as portions of some proprietary and fiduciary operations. Since the Earmarked Funds group does not correspond to a major GAAP fund, it is not presented in the required supplementary information but it is presented in the Detail Schedule of Budget and Actual Expenditures in the Supplemental Schedules Section of the CAFR.

The Appropriation Acts do not include a revenue budget. At the time of their passage, estimates prepared by legislative and executive branch professional staff assures the legislature that adequate revenues will be available to meet the level of appropriations approved. The Appropriation Acts specify that in addition to the appropriations made, all gifts, grants, or contributions in excess of the amount appropriated are automatically appropriated to be used for the purposes specified in the grant.

Numerous statutes exist which restrict the use of most state revenue sources to specific uses. The General Fund is funded by a wide variety of taxes, licenses, and interest income. The ETF is funded primarily by income taxes and sales taxes. The Earmarked Funds are generally funded by a combination of federal funds, local funds, and specific taxes and licenses. State law also requires that if revenues actually received are inadequate to fund the appropriations, then the appropriations must be prorated to the level that the revenues will support. For the Budgetary Comparison Schedule, the budgeted revenues consist of the amount of budgeted expenditures allocated among the revenue categories in proportion to the actual amounts received.

# STATE OF ALABAMA

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## REQUIRED SUPPLEMENTARY INFORMATION Notes on Budgetary Accounting and Reporting

For the Fiscal Year Ended September 30, 2002

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### **B. Budgetary Control**

The legal level of control is the agency and program specified in the Appropriation Acts. For example, "Lab Analysis and Disease Control" and "Agricultural Inspection Services" are two programs within the agency Agriculture and Industries. Below this legal level of control, the professional management of the Finance Department, under the authority of the Governor's policy, exercises budgetary control at the fund and object level. Each agency must submit an operations plan detailing planned expenditures down to the object level, and then must follow that plan or explain why a change must be made. Allotments of appropriations are made quarterly based on the plans of operations submitted by the agencies. Beyond these additional policy constraints, agencies have full authority for administering their appropriations.

The Department of Finance enforces both the legal level and the professional management level of budgetary control through automated edits which must be complied with before making expenditures against an appropriation. A change between objects within appropriations for programs (financial management level) must have the approval of the Budget Officer and the Finance Director.

The Budget Management Act legally authorizes the transfer of appropriations between programs within an agency with the approval of the Governor. Any transfers approved by the governor must be reported to the Legislature. Transfers between agencies, but within the same program, may be made pursuant to interagency agreements executed for the purposes of accomplishing the objectives for which the Legislature made the appropriation. These interagency agreements must also be approved by the Governor. Under the Budget Management Act, the Governor cannot create new budget authority, he can only transfer existing authority.

Both the *Alabama Constitution* and the statutes require a balanced budget for annual financial operations. The Finance Department monitors revenue projections during the year to ensure that adequate funds will be available to meet budgeted expenditures. If cash collections do not meet budget projections, the Governor is required to prorate appropriations and restrict allotments to prevent an overdraft or budget deficit in any fiscal year. Neither the General Fund nor the Education Trust Fund was prorated in 2002.

### **C. Encumbrance Accounting**

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is used as purchase orders are issued to insure that purchase orders plus expenditures do not exceed allotment balances. At fiscal year end this control becomes stricter, as purchase orders plus any other obligations or accounts payable incurred against fiscal year appropriations may not exceed allotment balances.

Encumbrances outstanding at year end in governmental funds are reported on the GAAP basis statements as a reservation of fund balance. Encumbrance balances are reported on the budgetary basis statements as expenditures.

### **D. Lapsing of Appropriations**

All balances of non-capital outlay appropriations not reserved by encumbrances or accounts payable lapse at September 30 of each fiscal year. Furthermore, any appropriation balance not reserved by encumbrances lapses at November 30 following each fiscal year. Encumbrances remain valid for a period of one year following the end of the fiscal year. Balances of encumbrances are reported on the Budgetary Comparison Schedule as expenditures. Capital outlay appropriations for the purchase of land, the construction of buildings, or for the maintenance of roads and bridges of the state highway system continue until the completion of the project.

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## **E. Budgetary Basis of Accounting and Fund Structure**

The State budgets and operates primarily on the budgetary basis which approximates the cash basis with certain material exceptions. During the fiscal year, encumbrances, which represent obligations against current fiscal year appropriations, are accrued. At year end, fund balances are reserved to accrue expenditures for those outstanding encumbrances and estimated accounts payable. In compliance with Amendment 26 to the *Constitution*, the total reservation may not exceed the cash on hand in the State Treasury. Therefore, at year end, cash always exceeds obligations (encumbrances and estimated accounts payable). The Budgetary Comparison Schedule (Non-GAAP Basis) presents comparisons of the adopted budget with actual data on a budgetary basis. The budget excludes funds for all entities operating outside the State Treasury, certain distributive accounts such as those for making distributions to local governments, and most debt service accounts. Since the accounting principles used in the State's budgetary basis of accounting differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of the differences is presented on the schedule. The new Governmental Accounting Standards Board (GASB) Statement No. 34 requires that a Budgetary Comparison Schedule should be presented for the general fund and for each major special revenue fund that has a legally adopted annual budget. The Budgetary fund structure for the General Fund group and the Education Trust Fund group is essentially the same as the GAAP fund structure. As mentioned earlier, the Earmarked Fund group does not correspond to a major GAAP fund, therefore it is not included in the Budgetary Comparison Schedule. The budgets of some major funds are spread throughout various agencies and programs in the Earmarked Fund group. A Detail Schedule of Budget and Actual Expenditures appears in the Supplemental Schedules Section of the CAFR. This schedule provides detail information at the legal level of control for each individual appropriation item contained in the budget for all budgetary fund groups.

**STATE OF ALABAMA**

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**Schedule of Funding Progress for Employees' Retirement System****For the Fiscal Year Ended September 30, 2002**

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**State Employees and State Policemen**

(Amounts In Thousands)

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL)	(B-A) Unfunded AAL	(A/B) Funded Ratio	(C) Covered Payroll	((B-A)/C) UAAL as a % of Covered Payroll
9/30/1999	4,456,536	4,119,270	(337,266)	108.2	998,007	(33.8)
9/30/2000	4,689,429	4,369,226	(320,203)	107.3	1,023,022	(31.3)
9/30/2001	4,800,280	4,687,351	(112,929)	102.4	1,091,775	(10.3)

# STATE OF ALABAMA

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## REQUIRED SUPPLEMENTARY INFORMATION Information About Infrastructure Assets Reported Using the Modified Approach

For Fiscal Year Ending September 30, 2002

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As allowed by GASB Statement Number 34, the State has adopted the modified approach for reporting roadway and bridge infrastructure assets. Under the modified approach, depreciation is not recorded. Infrastructure costs that result in an increase in the capacity, an improvement in the efficiency, or a replacement of a portion of the infrastructure network are capitalized and added to the historical cost of the assets. Costs that allow the infrastructure network to be used efficiently over the expected useful life of the assets are expensed as general maintenance costs. Certain maintenance costs that extend the useful life of the assets but do not increase capacity or efficiency are classified as preservation costs. Preservation costs are expensed and reported in lieu of a charge for depreciation expense. Assets accounted for under the modified approach include approximately 10,840 miles of state maintained highways and 5,583 of state maintained bridges and culverts.

In order to utilize the modified approach, Alabama is required to:

- Maintain an asset management system that includes an inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate annually the amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at or above the established condition level.

### A. Roads

#### 1. Measurement Scale

The Alabama Department of Transportation (ALDOT) uses a Distress Rating to measure and monitor pavement conditions. The Distress Rating is a zero to one hundred score assigned to 50-meter segments of pavement and then averaged for each roadway route using an algorithm developed by the ALDOT Material and Testing Bureau. The algorithm uses the distress categories of roughness, alligator cracking, block cracking, rutting, patching, raveling, transverse cracking, and longitudinal cracking. The 100 point scale is as follows:

RATING	CONDITION	DESCRIPTION
Less than 55	Marginal	Significant Maintenance Required (Resurfacing or Reconstruction)
55 - 70	Satisfactory	Routine Maintenance Required (Patching and/or Sealing)
Greater than 70	Good	Negligible Maintenance Required

#### 2. Established Condition Level

The weighted average rating of all State maintained roadways shall be "Satisfactory" or better.

#### 3. Assessed Conditions

The following table represents the most recent condition assessment for roadways classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

CATEGORY	MILES	RATING
Non-Interstate Non-National Highway System	7,128.6	78.68
Non-Interstate National Highway System	3,111.8	80.78
Interstate System	833.3	84.35
<b>SUMMARY TOTAL AND AVERAGE RATING</b>	<b>11,073.6</b>	<b>79.70</b>

# STATE OF ALABAMA

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## REQUIRED SUPPLEMENTARY INFORMATION Information About Infrastructure Assets Reported Using the Modified Approach

For the Fiscal Year Ended September 30, 2002

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### B. Bridges

#### 1. Measurement Scale

ALDOT uses a weighted rating of the major structure components and the deck area of a bridge or culvert. The GASB 34 Bridge Rating is a zero to ten score assigned to each component-rating category and then averaged for each bridge asset classification using an algorithm developed by the ALDOT Maintenance Bureau. The algorithm uses the assessed weighted ratings, each bridge deck area, and the sum of all deck areas. The ten point scale is as follows:

RATING	CONDITION	DESCRIPTION
1 – 4.99	Marginal	Structural elements have been seriously affected by deterioration.
5 – 6.99	Satisfactory	Structural elements are sound but have minor deterioration.
7 or Greater	Good	Structural elements show negligible signs of deterioration.

#### 2. Established Condition Level

The weighted average rating of all State maintained bridges and culverts shall be “Satisfactory” or better.

#### 3. Assessed Conditions

The following table represents the most recent condition assessment for bridges and culverts classified by Non-Interstate Non-National Highway System Routes, Non-Interstate National Highway System Routes, and Interstate Routes:

CATEGORY	STRUCTURES	RATING
Non-Interstate Non-National Highway System	2,889	6.78
Non-Interstate National Highway System	1,502	6.79
Interstate System	1,146	6.35
SUMMARY TOTAL AND AVERAGE RATING	5,537	6.69

### C. Budgeted and Estimated Costs to Preserve

In 2002, the State spent \$186,391,931 to preserve all roadway and bridge assets at or above the “Established Condition Levels” presented above. ALDOT estimates that it will spend approximately \$205,000,000 in 2003 to preserve all roadway and bridge assets at or above the “Established Condition Levels” presented above. The budgeting process utilized by ALDOT results in spending in one fiscal year from amounts that were budgeted in previous years. Therefore, this timing difference does not allow a true comparison of amounts budgeted and spent within a given fiscal year. This information as well as the information presented in the tables above demonstrates that Alabama has incurred the necessary expenditures to meet its desired asset condition levels.

**STATE OF ALABAMA**

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**FINANCIAL SECTION**

**Combining Financial Statements - Nonmajor Funds**

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# STATE OF ALABAMA

## COMBINING BALANCE SHEET

### Nonmajor Governmental Funds by Fund Type

September 30, 2002

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 668,090	\$ 5,412	\$ 500,766	\$ 2,895	\$ 1,177,163
Investments	29,074	3,770	-	25,577	58,421
Accounts Receivable	703	63	-	-	766
Due from Other Funds	21,643	-	355	50	22,048
Due from Component Units	720	-	-	-	720
Due from Other Governments	87,328	-	-	-	87,328
Taxes Receivable	82,651	-	-	-	82,651
Interest and Dividends Receivable	1	4	-	124	129
Mortgages, Notes, and Loans Receivable	-	-	-	34	34
Inventory	913	-	-	-	913
Other Assets	3	-	-	-	3
<b>TOTAL ASSETS</b>	<b>\$ 891,126</b>	<b>\$ 9,249</b>	<b>\$ 501,121</b>	<b>\$ 28,680</b>	<b>\$ 1,430,176</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ 8,429	\$ -	\$ 434	\$ -	\$ 8,863
Accounts Payable	76,161	-	198	-	76,359
Salaries Payable	29,920	-	-	-	29,920
Due to Other Funds	15,361	-	1,362	6	16,729
Due to Component Units	4	-	-	-	4
Due to Other Governments	126,976	-	-	-	126,976
Deferred Revenue	72,904	-	-	-	72,904
Amounts Held in Custody for Others	39,745	-	-	-	39,745
Compensated Absences	276	-	-	-	276
<b>Total Liabilities</b>	<b>369,776</b>	<b>0</b>	<b>1,994</b>	<b>6</b>	<b>371,776</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	22,642	-	192	-	22,834
Inventory	913	-	-	-	913
Court Settlements	9,350	-	-	-	9,350
Donor Restrictions	33	-	-	-	33
Permanent Trust Principal	91	-	-	26,551	26,642
Unreserved, Designated for Capital Projects	-	-	498,935	-	498,935
Unreserved, Designated for Debt Service	-	9,249	-	-	9,249
Unreserved, Undesignated	488,321	-	-	2,123	490,444
<b>Total Fund Balances</b>	<b>521,350</b>	<b>9,249</b>	<b>499,127</b>	<b>28,674</b>	<b>1,058,400</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 891,126</b>	<b>\$ 9,249</b>	<b>\$ 501,121</b>	<b>\$ 28,680</b>	<b>\$ 1,430,176</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Nonmajor Governmental Funds by Fund Type**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Totals
<b>REVENUES</b>					
Taxes	\$ 578,305	\$ -	\$ -	\$ -	\$ 578,305
Licenses, Permits, and Fees	231,731	-	-	696	232,427
Fines, Forfeits, and Court Settlements	15,759	-	-	-	15,759
Investment Income	7,124	352	5,827	(739)	12,564
Federal Grants and Reimbursements	1,295,481	-	-	-	1,295,481
Other Revenues	352,612	6,353	-	1,371	360,336
<b>Total Revenues</b>	<b>2,481,012</b>	<b>6,705</b>	<b>5,827</b>	<b>1,328</b>	<b>2,494,872</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	57,987	-	750	-	58,737
Education and Cultural Resources	745,865	-	-	208	746,073
Natural Resources and Recreation	88,251	-	205	-	88,456
Health - Physical and Mental	456,937	-	-	-	456,937
Social Services	313,385	-	-	-	313,385
Protection of Persons and Property	230,256	-	-	-	230,256
Transportation	22,924	-	-	-	22,924
General Government	243,279	-	-	-	243,279
Distributions to Local Governments	378,404	-	-	-	378,404
Capital Outlay	2,629	-	16,772	-	19,401
Debt Service - Principal Retirement	3,553	21,928	-	-	25,481
Debt Service - Interest and Other Charges	522	28,561	47,061	-	76,144
<b>Total Expenditures</b>	<b>2,543,992</b>	<b>50,489</b>	<b>64,788</b>	<b>208</b>	<b>2,659,477</b>
Excess (Deficiency) of					
<b>Revenues Over (Under) Expenditures</b>	<b>(62,980)</b>	<b>(43,784)</b>	<b>(58,961)</b>	<b>1,120</b>	<b>(164,605)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	214,087	38,819	74,006	353	327,265
Operating Transfers Out	(199,908)	-	(47,941)	(1,113)	(248,962)
Bond Proceeds	-	745	344,963	-	345,708
Capital Lease Proceeds	449	-	-	-	449
Other Debt Proceeds	-	4,696	-	-	4,696
<b>Total Other Financing Sources (Uses)</b>	<b>14,628</b>	<b>44,260</b>	<b>371,028</b>	<b>(760)</b>	<b>429,156</b>
Net Change in Fund Balances	(48,352)	476	312,067	360	264,551
Fund Balances, October 1, 2001, as Restated	569,105	8,773	187,060	28,314	793,252
Increase (Decrease) in Inventory	597	-	-	-	597
<b>Fund Balances, September 30, 2002</b>	<b>\$ 521,350</b>	<b>\$ 9,249</b>	<b>\$ 499,127</b>	<b>\$ 28,674</b>	<b>\$ 1,058,400</b>



# **Nonmajor Special Revenue Funds**

*Nonmajor Special Revenue Funds account for specific revenue sources that are legally restricted to finance particular functions and activities of the State.*

## **Public Health Department**

Accounts for resources used for the primary operations of the Department of Public Health, which promotes the general physical health, enforces laws relating to public health and operates programs providing preventive and treatment services to the public.

## **Education Department**

Accounts primarily for Federal programs administered by the State Department of Education.

## **Economic and Community Affairs**

The Department of Economic and Community Affairs oversees federal and State programs related to energy management, skills enhancement and employment opportunities, traffic control and accident prevention, and state and regional planning.

## **Revenues Allocated to Local Governments**

Account for revenues from gasoline taxes, motor vehicle licenses, TVA payments, and other revenue sources which are shared with local governments.

## **Other Medicaid Funds**

Accounts for activity associated with the Medicaid program that is not reported in the Major Governmental Funds under either the General Fund or the Medicaid Fund.

## **Rehabilitation Services**

Accounts for the operation of the Department of Rehabilitation Services which operates programs that provide services to aid handicapped citizens.

## **Public School Fund**

Accounts for revenues and expenditures which are allocated to local boards of education for support of educational programs.

## **Children First Trust**

Accounts for tobacco settlement revenues that are restricted to various programs that benefit children.

## **Revenue Administrative**

Administers the collection of most state taxes and licenses.

## **Industrial Relations**

Administers the employment security, workers compensation, and industrial safety and accident prevention programs.

## **Conservation and Natural Resources**

Is responsible for the management of the State's game and wildlife resources as well as operation of the State parks system.

## **Other Special Revenue Funds**

Are aggregated for reporting purposes and account for various other resources which must be used for specific purposes.

**STATE OF ALABAMA**

**COMBINING BALANCE SHEET**  
Nonmajor Special Revenue Funds

**September 30, 2002**

(Amounts in Thousands)

	Public		Economic and Community Affairs		Revenues	
	Health	Education	Department	Allocated to Local Governments	Other Medicaid Funds	
	Department	Department	Affairs	Governments	Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 59,136	\$ 25,151	\$ 19,756	\$ 65,762	\$ 6,333	
Investments	-	-	-	-	-	
Accounts Receivable	-	-	6	-	-	
Due from Other Funds	4,883	7,533	441	226	-	
Due from Component Units	15	-	-	-	-	
Due from Other Governments	5,342	66,015	10,054	-	-	
Taxes Receivable	-	-	-	-	-	
Interest and Dividends Receivable	-	-	-	-	-	
Inventory	-	-	-	-	-	
Other Assets	-	-	-	-	-	
<b>TOTAL ASSETS</b>	<b>\$ 69,376</b>	<b>\$ 98,699</b>	<b>\$ 30,257</b>	<b>\$ 65,988</b>	<b>\$ 6,333</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Warrants Payable	\$ 774	\$ 1,097	\$ 192	\$ 307	\$ -	
Accounts Payable	18,819	14,197	8,681	53	-	
Salaries Payable	7,888	1,924	616	-	-	
Due to Other Funds	3,585	864	11	-	-	
Due to Component Units	-	-	-	-	-	
Due to Other Governments	151	49,883	3,546	65,628	-	
Deferred Revenue	-	-	3,335	-	-	
Amounts Held in Custody for Others	11	-	-	-	-	
Compensated Absences	76	12	-	-	-	
<b>Total Liabilities</b>	<b>31,304</b>	<b>67,977</b>	<b>16,381</b>	<b>65,988</b>	<b>0</b>	
<b>Fund Balances</b>						
Reserved for:						
Encumbrances	6,054	1,970	390	-	-	
Inventory	-	-	-	-	-	
Court Settlements	-	-	9,350	-	-	
Donor Restrictions	-	-	-	-	-	
Permanent Trust Principal	-	-	-	-	-	
Unreserved, Undesignated	32,018	28,752	4,136	-	6,333	
<b>Total Fund Balances</b>	<b>38,072</b>	<b>30,722</b>	<b>13,876</b>	<b>0</b>	<b>6,333</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 69,376</b>	<b>\$ 98,699</b>	<b>\$ 30,257</b>	<b>\$ 65,988</b>	<b>\$ 6,333</b>	

Rehabilitation Services		Public School Fund	Children First Trust		Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ 18,697	\$ 5,007	\$ 72,519	\$ 9,002	\$ 16,854	\$ 63,973	\$ 305,900	\$ 668,090		
-	-	-	-	-	13	29,061	29,074		
-	-	-	-	-	516	181	703		
88	-	114	10	521	1,549	6,278	21,643		
15	-	-	-	-	-	690	720		
-	-	-	-	162	-	5,755	87,328		
-	78,959	-	261	-	1,375	2,056	82,651		
-	-	-	-	-	-	1	1		
403	-	-	-	-	432	78	913		
-	-	-	-	-	-	3	3		
<b>\$ 19,203</b>	<b>\$ 83,966</b>	<b>\$ 72,633</b>	<b>\$ 9,273</b>	<b>\$ 17,537</b>	<b>\$ 67,858</b>	<b>\$ 350,003</b>	<b>\$ 891,126</b>		
\$ 426	\$ 6	\$ 441	\$ 97	\$ 692	\$ 119	\$ 4,278	\$ 8,429		
8,361	-	1,712	2,895	1,060	2,754	17,629	76,161		
1,546	-	54	3,676	3,597	2,651	7,968	29,920		
388	-	2,049	2,568	546	877	4,473	15,361		
4	-	-	-	-	-	-	4		
170	-	228	7	21	168	7,174	126,976		
-	64,448	-	-	1,168	616	3,337	72,904		
-	-	-	99	-	148	39,487	39,745		
1	-	-	1	20	38	128	276		
<b>10,896</b>	<b>64,454</b>	<b>4,484</b>	<b>9,343</b>	<b>7,104</b>	<b>7,371</b>	<b>84,474</b>	<b>369,776</b>		
1,915	-	264	1,394	357	4,171	6,127	22,642		
403	-	-	-	-	432	78	913		
-	-	-	-	-	-	-	9,350		
-	-	-	-	-	-	33	33		
-	-	-	-	-	-	91	91		
5,989	<b>19,512</b>	<b>67,885</b>	<b>(1,464)</b>	<b>10,076</b>	<b>55,884</b>	<b>259,200</b>	<b>488,321</b>		
<b>8,307</b>	<b>19,512</b>	<b>68,149</b>	<b>(70)</b>	<b>10,433</b>	<b>60,487</b>	<b>265,529</b>	<b>521,350</b>		
<b>\$ 19,203</b>	<b>\$ 83,966</b>	<b>\$ 72,633</b>	<b>\$ 9,273</b>	<b>\$ 17,537</b>	<b>\$ 67,858</b>	<b>\$ 350,003</b>	<b>\$ 891,126</b>		

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Nonmajor Special Revenue Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Public Health Department	Education Department	Economic and Community Affairs	Revenues Allocated to Local Governments	Other Medicaid Funds
<b>REVENUES</b>					
Taxes	\$ 43	\$ 2,222	\$ -	\$ 299,737	\$ 36,813
Licenses, Permits, and Fees	21,666	1,420	-	31,975	-
Fines, Forfeits, and Court Settlements	-	1,000	1,246	1	-
Investment Income	28	-	1,288	-	1,090
Federal Grants and Reimbursements	237,784	604,842	176,457	2,296	-
Other Revenues	101,412	6,193	555	-	29,999
<b>Total Revenues</b>	<b>360,933</b>	<b>615,677</b>	<b>179,546</b>	<b>334,009</b>	<b>67,902</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	-	-	-	-	-
Education and Cultural Resources	-	579,448	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	354,425	-	-	-	36,800
Social Services	-	35,663	55,117	-	-
Protection of Persons and Property	-	-	33,879	-	-
Transportation	-	-	-	-	-
General Government	-	-	77,745	-	-
Distributions to Local Governments	-	-	-	352,151	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	1,132	-	-	-	-
Debt Service - Interest and Other Charges	215	-	-	-	-
<b>Total Expenditures</b>	<b>355,772</b>	<b>615,111</b>	<b>166,741</b>	<b>352,151</b>	<b>36,800</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>5,161</b>	<b>566</b>	<b>12,805</b>	<b>(18,142)</b>	<b>31,102</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	13,802	10,792	6,084	18,140	-
Operating Transfers Out	(12,556)	(1,453)	(17,884)	-	(87,000)
Capital Lease Proceeds	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,246</b>	<b>9,339</b>	<b>(11,800)</b>	<b>18,140</b>	<b>(87,000)</b>
Net Change in Fund Balances	<b>6,407</b>	<b>9,905</b>	<b>1,005</b>	<b>(2)</b>	<b>(55,898)</b>
Fund Balances, October 1, 2001, as Restated	31,665	20,817	12,871	2	62,231
Increase (Decrease) in Inventory	-	-	-	-	-
<b>Fund Balances, September 30, 2002</b>	<b>\$ 38,072</b>	<b>\$ 30,722</b>	<b>\$ 13,876</b>	<b>\$ 0</b>	<b>\$ 6,333</b>

Rehabilitation Services	Public School Fund	Children First Trust	Revenue Administrative	Industrial Relations	Conservation and Natural Resources	Other Special Revenue Funds	Totals
\$ -	\$ 106,723	\$ -	\$ 81,051	\$ 3,210	\$ 10,424	\$ 38,082	\$ 578,305
-	-	-	1,454	86	18,836	156,294	231,731
1,452	-	-	2	7	664	11,387	15,759
-	41	-	-	119	784	3,774	7,124
64,963	-	-	-	58,367	13,360	137,412	1,295,481
13,034	218	64,243	3,119	1,503	30,800	101,536	352,612
<b>79,449</b>	<b>106,982</b>	<b>64,243</b>	<b>85,626</b>	<b>63,292</b>	<b>74,868</b>	<b>448,485</b>	<b>2,481,012</b>
-	-	-	-	-	-	57,987	57,987
7,930	125,000	10,859	-	-	-	22,628	745,865
-	-	-	-	-	77,182	11,069	88,251
-	-	8,963	-	-	-	56,749	456,937
73,736	-	15,195	-	68,491	-	65,183	313,385
-	-	6,964	-	8,272	-	181,141	230,256
-	-	-	-	-	-	22,924	22,924
-	-	7,996	87,167	-	-	70,371	243,279
-	-	-	-	-	-	26,253	378,404
-	-	-	-	-	-	2,629	2,629
-	-	-	29	-	648	1,744	3,553
-	-	-	2	53	24	228	522
<b>81,666</b>	<b>125,000</b>	<b>49,977</b>	<b>87,198</b>	<b>76,816</b>	<b>77,854</b>	<b>518,906</b>	<b>2,543,992</b>
(2,217)	(18,018)	14,266	(1,572)	(13,524)	(2,986)	(70,421)	(62,980)
5,904	533	-	5,731	14,629	9,996	128,476	214,087
(122)	-	(366)	(2,672)	(267)	(6,160)	(71,428)	(199,908)
-	-	-	-	-	449	-	449
<b>5,782</b>	<b>533</b>	<b>(366)</b>	<b>3,059</b>	<b>14,362</b>	<b>4,285</b>	<b>57,048</b>	<b>14,628</b>
3,565	(17,485)	13,900	1,487	838	1,299	(13,373)	(48,352)
4,508	36,997	54,249	(1,557)	9,595	58,756	278,971	569,105
234	-	-	-	-	432	(69)	597
<b>\$ 8,307</b>	<b>\$ 19,512</b>	<b>\$ 68,149</b>	<b>\$ (70)</b>	<b>\$ 10,433</b>	<b>\$ 60,487</b>	<b>\$ 265,529</b>	<b>\$ 521,350</b>

**STATE OF ALABAMA**

**COMBINING BALANCE SHEET**  
Other Nonmajor Special Revenue Funds

**September 30, 2002**

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Occupational Boards	Professional and Emergency Management
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 6,849	\$ 6,770	\$ 2,637	\$ 27,427	\$ 1,310
Investments	195	12,106	-	5,570	-
Accounts Receivable	59	-	-	9	-
Due from Other Funds	1,397	593	-	8	115
Due from Component Units	-	675	-	-	-
Due from Other Governments	-	-	4,935	-	-
Taxes Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	-
Inventory	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 8,500</b>	<b>\$ 20,144</b>	<b>\$ 7,572</b>	<b>\$ 33,014</b>	<b>\$ 1,425</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Warrants Payable	\$ 1	\$ 667	\$ 6	\$ 123	\$ 130
Accounts Payable	1,013	1,469	1	521	343
Salaries Payable	71	1,684	72	585	110
Due to Other Funds	21	656	-	152	26
Due to Other Governments	-	169	4,729	6	121
Deferred Revenue	-	-	-	3,008	55
Amounts Held in Custody for Others	-	1	-	742	-
Compensated Absences	-	33	-	5	-
<b>Total Liabilities</b>	<b>1,106</b>	<b>4,679</b>	<b>4,808</b>	<b>5,142</b>	<b>785</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	199	24	2	231	248
Inventory	-	-	-	-	-
Donor Restrictions	-	-	-	-	-
Permanent Trust Principal	-	-	-	-	-
Unreserved, Undesignated	7,195	15,441	2,762	27,641	392
<b>Total Fund Balances</b>	<b>7,394</b>	<b>15,465</b>	<b>2,764</b>	<b>27,872</b>	<b>640</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 8,500</b>	<b>\$ 20,144</b>	<b>\$ 7,572</b>	<b>\$ 33,014</b>	<b>\$ 1,425</b>



**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Other Nonmajor Special Revenue Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Corrections	Environmental Management	Senior Services	Occupational Boards	Professional and Emergency Management
<b>REVENUES</b>					
Taxes	\$ -	\$ 122	\$ -	\$ -	\$ -
Licenses, Permits, and Fees	3,126	24,575	-	25,820	-
Fines, Forfeits, and Court Settlements	1,377	1,246	200	2,016	-
Investment Income	11	1,157	-	452	-
Federal Grants and Reimbursements	717	17,730	21,935	191	27,333
Other Revenues	27,041	965	21,852	1,203	774
<b>Total Revenues</b>	<b>32,272</b>	<b>45,795</b>	<b>43,987</b>	<b>29,682</b>	<b>28,107</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	-	-	-	1,813	-
Education and Cultural Resources	-	-	-	-	-
Natural Resources and Recreation	-	-	-	-	-
Health - Physical and Mental	-	50,301	-	-	-
Social Services	-	-	42,323	-	-
Protection of Persons and Property	32,304	-	-	25,276	27,962
Transportation	-	-	-	-	-
General Government	-	-	-	52	-
Distributions to Local Governments	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service - Principal Retirement	-	-	-	-	-
Debt Service - Interest and Other Charges	-	-	-	-	-
<b>Total Expenditures</b>	<b>32,304</b>	<b>50,301</b>	<b>42,323</b>	<b>27,141</b>	<b>27,962</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32)	(4,506)	1,664	2,541	145
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	2,845	4,753	554	25	290
Operating Transfers Out	(6,613)	(871)	-	(434)	(222)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,768)</b>	<b>3,882</b>	<b>554</b>	<b>(409)</b>	<b>68</b>
<b>Net Change in Fund Balances</b>	<b>(3,800)</b>	<b>(624)</b>	<b>2,218</b>	<b>2,132</b>	<b>213</b>
Fund Balances, October 1, 2001, as Restated	11,194	16,089	546	25,740	427
Increase (Decrease) in Inventory	-	-	-	-	-
<b>Fund Balances, September 30, 2002</b>	<b>\$ 7,394</b>	<b>\$ 15,465</b>	<b>\$ 2,764</b>	<b>\$ 27,872</b>	<b>\$ 640</b>

Educational Television Foundation Authority	Public Health Care Authority	State Parks Improvement Corporation	Miscellaneous Special Revenue Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ 38,082
109	6	186	101	3,774
-	-	-	-	69,506
5,087	35	160	-	44,419
<b>5,196</b>	<b>41</b>	<b>346</b>	<b>101</b>	<b>262,958</b>
				<b>448,485</b>
6,634	-	-	-	56,174
-	-	-	-	15,994
-	-	88	-	10,981
-	5,902	-	-	546
-	-	-	-	22,860
-	-	-	-	95,599
-	-	-	-	22,924
-	-	-	-	70,319
-	-	-	-	26,253
-	-	-	-	2,629
-	-	-	-	1,744
-	24	-	-	204
<b>6,634</b>	<b>5,926</b>	<b>88</b>	<b>0</b>	<b>326,227</b>
				<b>518,906</b>
(1,438)	(5,885)	258	101	(63,269)
-	5,307	10,643	-	104,059
-	(353)	(21,588)	-	(41,347)
<b>0</b>	<b>4,954</b>	<b>(10,945)</b>	<b>0</b>	<b>62,712</b>
				<b>57,048</b>
(1,438)	(931)	(10,687)	101	(557)
4,791	977	18,842	5,339	195,026
-	-	-	-	(69)
<b>\$ 3,353</b>	<b>\$ 46</b>	<b>\$ 8,155</b>	<b>\$ 5,440</b>	<b>\$ 194,400</b>
				<b>\$ 265,529</b>



# **Nonmajor Debt Service Funds**

*Nonmajor Debt Service Funds account for the accumulation of resources which are used for the payment of general governmental debt principal and interest.*

## **Industrial Access Road & Bridge Authority**

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Industrial Access Road and Bridge Authority for the purpose of financing road and bridge construction to industrial sites.

## **Corrections Institution Finance Authority**

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Corrections Institution Finance Authority for the purpose of financing prison construction.

## **Judicial Building Authority**

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of facilities used by the unified judicial system.

## **Public Health Care Authority**

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing the construction of public health facilities.

## **General Obligation Bond**

Accounts for the accumulation of resources used to pay general obligation interest and principal on debt issued by the State for the purpose of financing a wide variety of construction projects.

## **Federal Aid Highway Finance Authority**

Accounts for the accumulation of resources used to pay the interest and principal on debt issued by the Authority for the purpose of financing road and bridge construction.

**STATE OF ALABAMA**

**COMBINING BALANCE SHEET**  
Nonmajor Debt Service Funds

**September 30, 2002**

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ 872	\$ 3,693	\$ 698	\$ 149
Investments	-	-	-	3,770	-
Accounts Receivable	-	-	-	63	-
Interest and Dividends Receivable	-	-	-	4	-
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 872</b>	<b>\$ 3,693</b>	<b>\$ 4,535</b>	<b>\$ 149</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Fund Balances</b>					
Unreserved, Designated for Debt Service	-	872	3,693	4,535	149
<b>Total Fund Balances</b>	<b>0</b>	<b>872</b>	<b>3,693</b>	<b>4,535</b>	<b>149</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 872</b>	<b>\$ 3,693</b>	<b>\$ 4,535</b>	<b>\$ 149</b>

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Federal Aid

Highway	
Finance	
Authority	Totals
\$ -	\$ 5,412
-	3,770
-	63
-	4
<b>\$ 0</b>	<b>\$ 9,249</b>

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\$ 0	\$ 0
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-	9,249
<b>0</b>	<b>9,249</b>

<b>\$ 0</b>	<b>\$ 9,249</b>
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**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Nonmajor Debt Service Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	Corrections Institution Finance Authority	Judicial Building Authority	Public Health Care Authority	General Obligation Bonds
<b>REVENUES</b>					
Investment Income	\$ -	\$ -	\$ 36	\$ 313	\$ 1
Other Revenues	-	-	3,974	2,379	-
<b>Total Revenues</b>	<b>0</b>	<b>0</b>	<b>4,010</b>	<b>2,692</b>	<b>1</b>
<b>EXPENDITURES</b>					
Debt Service - Principal Retirement	3,860	4,755	1,657	1,688	9,968
Debt Service - Interest and Other Charges	566	1,972	2,317	5,335	14,405
<b>Total Expenditures</b>	<b>4,426</b>	<b>6,727</b>	<b>3,974</b>	<b>7,023</b>	<b>24,373</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(4,426)</b>	<b>(6,727)</b>	<b>36</b>	<b>(4,331)</b>	<b>(24,372)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	4,426	6,613	-	353	23,860
Bond Proceeds	-	-	-	-	348
Other Debt Proceeds	-	-	-	4,696	-
<b>Total Other Financing Sources (Uses)</b>	<b>4,426</b>	<b>6,613</b>	<b>0</b>	<b>5,049</b>	<b>24,208</b>
<b>Net Change in Fund Balances</b>	<b>0</b>	<b>(114)</b>	<b>36</b>	<b>718</b>	<b>(164)</b>
Fund Balances, October 1, 2001, as Restated	-	986	3,657	3,817	313
<b>Fund Balances, September 30, 2002</b>	<b>\$ 0</b>	<b>\$ 872</b>	<b>\$ 3,693</b>	<b>\$ 4,535</b>	<b>\$ 149</b>

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Federal Aid

Highway

Finance

Authority	Totals
\$ 2	\$ 352
-	6,353
<b>2</b>	<b>6,705</b>

-	21,928
3,966	28,561
<b>3,966</b>	<b>50,489</b>

(3,964) (43,784)

3,567	38,819
397	745
-	4,696
<b>3,964</b>	<b>44,260</b>

0	476
-	8,773
<b>\$ 0</b>	<b>\$ 9,249</b>



# **Nonmajor Capital Projects Funds**

*Nonmajor Capital Projects Funds account for the acquisition, construction, and improvement of major general governmental capital assets.*

## **Industrial Access Road and Bridge Authority**

Accounts for the proceeds of debt issued by the Authority in order to finance the construction of roads and bridges that improve industrial access to the State transportation system.

## **General Obligation Bond Projects**

Accounts for the proceeds of general obligation debt issued by the State for a wide variety of construction projects involving waterways, parks, roads, prisons, mental hospitals, research labs, and other buildings.

## **State Parks Improvement Corporation**

Accounts for the proceeds of debt issued by the State for the purpose of financing renovations to the State Parks System.

## **Federal Aid Highway Finance Authority**

Accounts for the proceeds of debt issued by the Authority for the purpose of financing improvements to the State's roads and bridges.

**STATE OF ALABAMA**

**COMBINING BALANCE SHEET**  
Nonmajor Capital Projects Funds

**September 30, 2002**

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ -	\$ 192,352	\$ 104,336	\$ 204,078	\$ 500,766
Due from Other Funds	-	-	355	-	355
<b>TOTAL ASSETS</b>	<b>\$ 0</b>	<b>\$ 192,352</b>	<b>\$ 104,691</b>	<b>\$ 204,078</b>	<b>\$ 501,121</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Warrants Payable	\$ -	\$ 434	\$ -	\$ -	\$ 434
Accounts Payable	-	-	198	-	198
Due to Other Funds	-	-	1,362	-	1,362
<b>Total Liabilities</b>	<b>0</b>	<b>434</b>	<b>1,560</b>	<b>0</b>	<b>1,994</b>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	-	-	192	-	192
Unreserved, Designated for Capital Projects	-	191,918	102,939	204,078	498,935
<b>Total Fund Balances</b>	<b>0</b>	<b>191,918</b>	<b>103,131</b>	<b>204,078</b>	<b>499,127</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 0</b>	<b>\$ 192,352</b>	<b>\$ 104,691</b>	<b>\$ 204,078</b>	<b>\$ 501,121</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Nonmajor Capital Projects Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Industrial Access Road and Bridge Authority	General Obligation Bond Projects	State Parks Improvement Corporation	Federal Aid Highway Finance Authority	Totals
<b>REVENUES</b>					
Investment Income	\$ 81	\$ 2,408	\$ 1,903	\$ 1,435	\$ 5,827
<b>Total Revenues</b>	<b>81</b>	<b>2,408</b>	<b>1,903</b>	<b>1,435</b>	<b>5,827</b>
<b>EXPENDITURES</b>					
Current:					
Economic Development and Regulation	-	750	-	-	750
Natural Resources and Recreation	-	-	205	-	205
Capital Outlay	-	16,772	-	-	16,772
Debt Service - Interest and Other Charges	-	46,669	-	392	47,061
<b>Total Expenditures</b>	<b>0</b>	<b>64,191</b>	<b>205</b>	<b>392</b>	<b>64,788</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	81	(61,783)	1,698	1,043	(58,961)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers In	-	74,006	-	-	74,006
Operating Transfers Out	(5,277)	(42,664)	-	-	(47,941)
Bond Proceeds	-	141,928	-	203,035	344,963
<b>Total Other Financing Sources (Uses)</b>	<b>(5,277)</b>	<b>173,270</b>	<b>0</b>	<b>203,035</b>	<b>371,028</b>
<b>Net Change in Fund Balances</b>	<b>(5,196)</b>	<b>111,487</b>	<b>1,698</b>	<b>204,078</b>	<b>312,067</b>
Fund Balances, October 1, 2001, as Restated	5,196	80,431	101,433	-	187,060
<b>Fund Balances, September 30, 2002</b>	<b>\$ 0</b>	<b>\$ 191,918</b>	<b>\$ 103,131</b>	<b>\$ 204,078</b>	<b>\$ 499,127</b>



# **Nonmajor Permanent Funds**

*Nonmajor Permanent Funds report resources that are legally restricted so that only earnings, not principal, may be used for purposes that support the State's governmental programs.*

## **Marine, Game and Fish Endowment**

Invests the proceeds of lifetime hunting and fishing licenses and uses the investment income to preserve, protect, propagate, and develop wildlife within the State.

## **Alabama Research Institute**

Is a trust fund which awards research grants to State universities to promote science and technology.

## **Other Permanent Funds**

Accounts for several small permanent funds which further educational, health, and social programs.

**STATE OF ALABAMA****COMBINING BALANCE SHEET****Nonmajor Permanent Funds****September 30, 2002**

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Other Permanent Funds	Totals
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 24	\$ 184	\$ 2,687	\$ 2,895
Investments	10,364	11,641	3,572	25,577
Due from Other Funds	50	-	-	50
Interest and Dividends Receivable	-	124	-	124
Mortgages, Notes, and Loans Receivable	-	-	34	34
<b>TOTAL ASSETS</b>	<b>\$ 10,438</b>	<b>\$ 11,949</b>	<b>\$ 6,293</b>	<b>\$ 28,680</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to Other Funds	\$ 6	\$ -	\$ -	\$ 6
<b>Total Liabilities</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>6</b>
<b>Fund Balances</b>				
Reserved for:				
Permanent Trust Principal	10,432	11,500	4,619	26,551
Unreserved, Undesignated	-	449	1,674	2,123
<b>Total Fund Balances</b>	<b>10,432</b>	<b>11,949</b>	<b>6,293</b>	<b>28,674</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,438</b>	<b>\$ 11,949</b>	<b>\$ 6,293</b>	<b>\$ 28,680</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Nonmajor Permanent Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Marine, Game, and Fish Endowment	Alabama Research Institute	Other Permanent Funds	Totals
<b>REVENUES</b>				
Licenses, Permits, and Fees	\$ 567	\$ -	\$ 129	\$ 696
Investment Income	(1,065)	401	(75)	(739)
Other Revenues	-	-	1,371	1,371
<b>Total Revenues</b>	<b>(498)</b>	<b>401</b>	<b>1,425</b>	<b>1,328</b>
<b>EXPENDITURES</b>				
Current:				
Education and Cultural Resources	-	208	-	208
<b>Total Expenditures</b>	<b>0</b>	<b>208</b>	<b>0</b>	<b>208</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>				
	<b>(498)</b>	<b>193</b>	<b>1,425</b>	<b>1,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	353	353
Operating Transfers Out	-	(1,014)	(99)	(1,113)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(1,014)</b>	<b>254</b>	<b>(760)</b>
<b>Net Change in Fund Balances</b>				
Fund Balances, October 1, 2001, as Restated	10,930	12,770	4,614	28,314
<b>Fund Balances, September 30, 2002</b>	<b>\$ 10,432</b>	<b>\$ 11,949</b>	<b>\$ 6,293</b>	<b>\$ 28,674</b>



# **Nonmajor Enterprise Funds**

*Nonmajor Enterprise Funds are used to account for the operations of State agencies that provide goods and services to the public in a manner similar to private business enterprises. The cost of providing the goods or services are recovered primarily through user charges.*

## **Public Education Employees' Health Insurance**

Provides health insurance coverage for employees of school systems and junior colleges.

## **Alabama Health Insurance Plan**

Provides health insurance coverage for citizens who have lost their group health insurance.

## **Local Government Employees' Health Insurance**

Is a public entity risk pool providing health insurance coverage for the employees of local governments.

## **Surplus Property**

Accounts for the disposition of surplus State equipment as well as the distribution of federal surplus property.

## **Other Enterprise Funds**

Are aggregated for reporting purposes to account for other small enterprise funds operated by the State, including the Guaranteed Student Loan Fund, Military Billeting, and the canteen funds of the National Guard and the Department of Corrections.

# STATE OF ALABAMA

## COMBINING STATEMENT OF NET ASSETS Nonmajor Enterprise Funds

September 30, 2002

(Amounts in Thousands)

	Public	Alabama	Local	
	Education	Health	Government	
	Employees' Health Insurance	Insurance	Employees' Health Insurance	Surplus Property
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 5,443	\$ 5,986	\$ 938	\$ 630
Investments, Short-term	84,448	-	5,977	-
Accounts Receivable	3,405	34	-	-
Interest and Dividends Receivable	123	-	390	-
Due from Other Funds	-	-	-	119
Due from Other Governments	-	-	190	-
Inventory	-	-	-	8,839
Other Current Assets	261	-	59	-
<b>Total Current Assets</b>	<b>93,680</b>	<b>6,020</b>	<b>7,554</b>	<b>9,588</b>
<b>Noncurrent Assets</b>				
Investments, Long-term	2,209	-	16,639	-
Capital Assets, (Net of Accumulated Depreciation)	-	-	-	74
<b>Total Noncurrent Assets</b>	<b>2,209</b>	<b>0</b>	<b>16,639</b>	<b>74</b>
<b>TOTAL ASSETS</b>	<b>95,889</b>	<b>6,020</b>	<b>24,193</b>	<b>9,662</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Warrants Payable	17	-	-	38
Accounts Payable	8	40	2,096	146
Salaries Payable	56	-	-	46
Due to Other Funds	51	1	19	106
Due to Component Units	-	-	4	-
Due to Other Governments	-	-	-	-
Deferred Revenue	-	453	2,561	-
Funds Held in Escrow	-	-	-	8,542
Compensated Absences	-	-	-	2
Claims Payable	16,366	1,910	-	-
Insurance Claims Incurred But Not Reported	47,600	2,867	6,584	-
Notes Payable	-	-	-	-
<b>Total Current Liabilities</b>	<b>64,098</b>	<b>5,271</b>	<b>11,264</b>	<b>8,880</b>
<b>Long-term Liabilities</b>				
Compensated Absences	212	-	-	127
Notes Payable	-	-	-	-
<b>Total Long-term Liabilities</b>	<b>212</b>	<b>0</b>	<b>0</b>	<b>127</b>
<b>Total Liabilities</b>	<b>64,310</b>	<b>5,271</b>	<b>11,264</b>	<b>9,007</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	-	-	-	74
Restricted for:				
Other Purposes	-	-	-	35
Unrestricted	31,579	749	12,929	546
<b>TOTAL NET ASSETS</b>	<b>\$ 31,579</b>	<b>\$ 749</b>	<b>\$ 12,929</b>	<b>\$ 655</b>

Other Enterprise		
Funds	Totals	
\$ 4,305	\$ 17,302	
-	90,425	
237	3,676	
-	513	
-	119	
-	190	
551	9,390	
-	320	
<b>5,093</b>	<b>121,935</b>	
 -	18,848	
5,990	6,064	
<b>5,990</b>	<b>24,912</b>	
<b>11,083</b>	<b>146,847</b>	
 -	55	
483	2,773	
125	227	
115	292	
-	4	
5	5	
-	3,014	
-	8,542	
14	16	
-	18,276	
-	57,051	
88	88	
<b>830</b>	<b>90,343</b>	
 269	608	
1,286	1,286	
<b>1,555</b>	<b>1,894</b>	
<b>2,385</b>	<b>92,237</b>	
 5,990	6,064	
 -	35	
2,708	48,511	
<b>\$ 8,698</b>	<b>\$ 54,610</b>	

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Nonmajor Enterprise Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Public Education Employees' Health Insurance	Alabama Health Insurance Plan	Local Government Employees' Health Insurance	Surplus Property
<b>OPERATING REVENUES</b>				
Charges for Goods and Services	\$ -	\$ -	\$ -	\$ 1,985
Investment Earnings	(774)	-	(398)	-
Premiums and Contributions	601,420	16,061	63,333	-
Rents and Leases	-	-	-	-
Sale of Land, Timber, and Minerals	-	-	-	-
<b>Total Operating Revenues</b>	<b>600,646</b>	<b>16,061</b>	<b>62,935</b>	<b>1,985</b>
<b>OPERATING EXPENSES</b>				
Salaries, Wages, and Benefits	898	-	-	830
Utilities and Communications	11	-	-	35
Professional Services	72	56	845	50
Supplies, Materials, and Operating Expenses	-	4	-	743
Depreciation	-	-	-	79
Claims and Benefits	580,893	23,844	69,168	-
Other	3	-	-	331
<b>Total Operating Expenses</b>	<b>581,877</b>	<b>23,904</b>	<b>70,013</b>	<b>2,068</b>
<b>Operating Income (Loss)</b>	<b>18,769</b>	<b>(7,843)</b>	<b>(7,078)</b>	<b>(83)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Taxes	-	8,175	-	-
Investment Income	-	139	-	-
Other Nonoperating Revenues	-	-	-	13
Interest Expense	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>0</b>	<b>8,314</b>	<b>0</b>	<b>13</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>18,769</b>	<b>471</b>	<b>(7,078)</b>	<b>(70)</b>
Operating Transfers In	-	-	-	535
Operating Transfers Out	(2)	(191)	(1,239)	(160)
<b>Increase (Decrease) in Net Assets</b>	<b>18,767</b>	<b>280</b>	<b>(8,317)</b>	<b>305</b>
Total Net Assets, October 1, 2001, as Restated	12,812	469	21,246	350
<b>Total Net Assets, September 30, 2002</b>	<b>\$ 31,579</b>	<b>\$ 749</b>	<b>\$ 12,929</b>	<b>\$ 655</b>

Other Enterprise		
Funds	Totals	
\$ 18,189	\$ 20,174	
31	(1,141)	
-	680,814	
487	487	
29	29	
<b>18,736</b>	<b>700,363</b>	
1,778	3,506	
242	288	
346	1,369	
6,375	7,122	
402	481	
-	673,905	
9,012	9,346	
<b>18,155</b>	<b>696,017</b>	
<b>581</b>	<b>4,346</b>	
-	8,175	
9	148	
392	405	
(60)	(60)	
<b>341</b>	<b>8,668</b>	
<b>922</b>	<b>13,014</b>	
164	699	
(1,120)	(2,712)	
<b>(34)</b>	<b>11,001</b>	
<b>8,732</b>	<b>43,609</b>	
<b>\$ 8,698</b>	<b>\$ 54,610</b>	

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CASH FLOWS**  
**Nonmajor Enterprise Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Public Education Employees' Health Insurance	Alabama Health Insurance	Local Government Employees' Health Insurance	Surplus Property
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customer & User Charges	601,365	24,356	64,479	1,598
Receipts from Interfund Services	297	-	-	272
Receipts from Interfund Reimbursements	-	-	-	-
Receipts from Other Operating Activities	-	1	-	1,247
Payments for Goods Held for Resale	-	-	-	(953)
Payments for Other Goods & Services	(59)	(23,551)	(691)	(458)
Payments for Employees Services	(870)	-	-	(851)
Payments for Interfund Services	(16)	-	(4)	(8)
Payments for Other Operating Activities	(2)	(10)	(28)	(1,288)
Payments for Claims	(572,175)	-	(67,600)	-
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>28,540</b>	<b>796</b>	<b>(3,844)</b>	<b>(441)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from Other Funds for Noncapital Financing	-	-	-	535
Transfers to Other Funds for Noncapital Financing	(2)	-	(1,230)	(160)
<b>Net Cash Provided By (Used In)</b> <b>Noncapital Financing Activities</b>	<b>(2)</b>	<b>0</b>	<b>(1,230)</b>	<b>375</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>				
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	-	-	-
Payments to Acquire, Construct, & Improve Capital Assets	-	-	-	(21)
Principal Paid on Revenue Bonds & Other Capital Debt	-	-	-	-
Interest Paid on Revenue Bonds & Other Capital Debt	-	-	-	-
<b>Net Cash Provided by (Used in)</b> <b>Capital and Related Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21)</b>
<b>Cash Flows From Investing Activities</b>				
Receipts from Sales & Maturities of Investments	863,930	-	74,187	-
Receipts from Interest & Dividends on Investments & Loans	2,456	139	1,205	-
Purchase of Investments	(890,143)	-	(72,324)	-
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(23,757)</b>	<b>139</b>	<b>3,068</b>	<b>0</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>4,781</b>	<b>935</b>	<b>(2,006)</b>	<b>(87)</b>
Cash Balance, October 1, 2001	645	5,051	2,944	679
<b>Cash Balance, September 30, 2002</b>	<b>5,426</b>	<b>5,986</b>	<b>938</b>	<b>592</b>
Add: Warrants Payable	17	-	-	38
<b>Cash and Cash Equivalents, as Reported on Balance Sheet</b>	<b>\$ 5,443</b>	<b>\$ 5,986</b>	<b>\$ 938</b>	<b>\$ 630</b>

Other Enterprise	
Funds	Totals
18,666	710,464
12	581
8	8
143	1,391
(5,476)	(6,429)
(10,406)	(35,165)
(1,789)	(3,510)
(130)	(158)
(26)	(1,354)
-	(639,775)
<b>1,002</b>	<b>26,053</b>
164	699
(1,120)	(2,512)
<b>(956)</b>	<b>(1,813)</b>
20	20
1	1
(91)	(112)
(66)	(66)
(60)	(60)
<b>(196)</b>	<b>(217)</b>
-	938,117
40	3,840
-	(962,467)
<b>40</b>	<b>(20,510)</b>
<b>(110)</b>	<b>3,513</b>
4,415	13,734
<b>4,305</b>	<b>17,247</b>
-	55
<b>\$ 4,305</b>	<b>\$ 17,302</b>

*Continued on next page...*

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CASH FLOWS**

**Nonmajor Enterprise Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Public Education Employees' Health Insurance	Alabama Health Insurance Plan	Local Government Employees' Health Insurance	Surplus Property
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
<b>Operating Income (Loss)</b>				
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Accounts Receivable	242	46	-	-
Due from Other Funds	-	-	-	(108)
Due From Other Governments	-	-	(46)	-
Inventory	-	-	-	(275)
Other Assets	663	-	128	-
Accounts Payable	9	89	125	98
Salaries Payable	5	-	-	(3)
Due to Other Funds	51	(10)	1	23
Amounts Held Pending Distribution	-	-	-	(165)
Deferred Revenue	-	75	1,190	-
Insurance Claims IBNR	4,500	455	1,438	-
Compensated Absences	23	-	-	(19)
Other Liabilities	3,504	-	-	-
Investment Income	774	-	398	-
Depreciation	-	-	-	79
Nonoperating Revenues	-	8,175	-	12
Nonoperating Expenses	-	(191)	-	-
Total Adjustments	9,771	8,639	3,234	(358)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 28,540</b>	<b>\$ 796</b>	<b>\$ (3,844)</b>	<b>\$ (441)</b>

**Noncash Investing, Capital, and Financing Activities**

Increase (Decrease):

Transfers, Donations, and Other Additions to Capital Assets	-	-	-	-
Disposals, Write-offs, and Other Reductions to Capital Asset	-	-	-	(28)
Interest Accruals and Other Adjustments	22	-	(517)	-
Unrealized Gains (losses) in Investment Fair Value	3,209	-	2,120	-
Investment Accruals and Other Adjustments	(3,209)	-	(1,647)	-
Operating Transfers In (out)	-	-	9	-

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Other Enterprise Funds	Totals
<b>581</b>	<b>4,346</b>
(137)	151
-	(108)
-	(46)
(48)	(323)
-	791
(34)	287
25	27
28	93
-	(165)
-	1,265
-	6,393
(36)	(32)
-	3,504
(31)	1,141
402	481
252	8,439
-	(191)
421	<hr/> <u>21,707</u>
<b>\$ 1,002</b>	<b>\$ 26,053</b>

349	349
(422)	(450)
-	(495)
-	5,329
-	(4,856)
-	9



# **Internal Service Funds**

*Internal Service Funds account for the operation of State organizations which provide goods and services to other State agencies on a cost-reimbursement basis.*

## **Information Services Fund**

Provides equipment, computer services, information technology, and planning and coordination in equipment and system selection.

## **Telecommunications Fund**

Provides for the coordination and promotion of the efficiency in the acquisition, operation and maintenance of telecommunications equipment, systems, and networks used by state agencies.

## **Service Division**

Account for various services provided to State agencies including rental of office buildings, janitorial services, motor pool, mail services, and building maintenance.

## **Printing and Publications**

Provides printing services to State agencies.

## **State Employees' Health Insurance**

Provides health insurance coverage for State employees.

## **Correctional Industries**

Accounts for the agricultural operations and manufacturing activities of the State's correctional facilities.

## **Building Renovation Finance Authority**

Accounts for the rental and maintenance of the buildings in the State Capitol Complex.

## **Risk Management**

Accounts for resources used to provide insurance coverage for State buildings, school buildings, and their contents. Risk Management also insures State employees against work related injuries as well as the risk of loss from employment-related liability

## **Other Internal Service Funds**

Account for other small internal service funds operated by the Finance and Military Departments.

# STATE OF ALABAMA

## COMBINING STATEMENT OF NET ASSETS Internal Service Funds

**September 30, 2002**

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 16,662	\$ 2,272	\$ 3,717	\$ 395	\$ 2,447
Investments, Short-term	-	-	-	-	53,692
Accounts Receivable	-	-	-	-	-
Interest and Dividends Receivable	-	-	-	-	567
Due from Other Funds	7,545	2,780	1,440	1,199	579
Due from Component Units	438	107	94	30	40
Inventory	-	-	1,767	434	-
Other Current Assets	-	-	-	-	-
<b>Total Current Assets</b>	<b>24,645</b>	<b>5,159</b>	<b>7,018</b>	<b>2,058</b>	<b>57,325</b>
<b>Noncurrent Assets</b>					
Investments, Long-term	-	-	-	-	17,459
Other Noncurrent Assets	-	-	-	-	-
Capital Assets, (Net of Accumulated Depreciation)	1,097	3,997	1,664	1,280	114
<b>Total Noncurrent Assets</b>	<b>1,097</b>	<b>3,997</b>	<b>1,664</b>	<b>1,280</b>	<b>17,573</b>
<b>TOTAL ASSETS</b>	<b>25,742</b>	<b>9,156</b>	<b>8,682</b>	<b>3,338</b>	<b>74,898</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Warrants Payable	5,384	12	603	10	4
Accounts Payable	738	632	486	192	4,530
Salaries Payable	390	169	51	149	106
Due to Other Funds	150	1,303	46	37	276
Due to Component Units	-	10	-	-	63
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	363	21,383
Funds Held in Escrow	3,935	3	-	-	-
Compensated Absences	-	-	-	-	-
Claims Payable	-	-	-	-	72
Insurance Claims Incurred But Not Reported	-	-	-	-	18,710
Revenue Bonds Payable	-	-	-	-	-
Capital Leases	246	1,229	-	158	-
<b>Total Current Liabilities</b>	<b>10,843</b>	<b>3,358</b>	<b>1,186</b>	<b>909</b>	<b>45,144</b>
<b>Long-term Liabilities</b>					
Compensated Absences	1,118	502	76	483	282
Revenue Bonds Payable	-	-	-	-	-
Capital Leases Payable	215	1,321	-	344	-
<b>Total Long-term Liabilities</b>	<b>1,333</b>	<b>1,823</b>	<b>76</b>	<b>827</b>	<b>282</b>
<b>Total Liabilities</b>	<b>12,176</b>	<b>5,181</b>	<b>1,262</b>	<b>1,736</b>	<b>45,426</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	635	1,448	1,664	778	114
Restricted for:					
Other Purposes	-	-	-	-	9,531
Unrestricted	12,931	2,527	5,756	824	19,827
<b>TOTAL NET ASSETS</b>	<b>\$ 13,566</b>	<b>\$ 3,975</b>	<b>\$ 7,420</b>	<b>\$ 1,602</b>	<b>\$ 29,472</b>

Correctional Industries	Building Renovation		Other Internal Service Funds			Totals
	Finance Authority	Risk Management				
\$ 4,113	\$ 22,452	\$ 4,875	\$ 613	\$ 57,546		
-	-	14,175	-	67,867		
-	-	1,503	-	1,503		
-	-	1,028	-	1,595		
694	643	531	366	15,777		
2	-	593	57	1,361		
2,886	-	-	-	5,087		
-	-	4,987	-	4,987		
<b>7,695</b>	<b>23,095</b>	<b>27,692</b>	<b>1,036</b>	<b>155,723</b>		
-	-	112,723	-	130,182		
-	934	-	-	934		
2,381	46,075	89	13	56,710		
<b>2,381</b>	<b>47,009</b>	<b>112,812</b>	<b>13</b>	<b>187,826</b>		
<b>10,076</b>	<b>70,104</b>	<b>140,504</b>	<b>1,049</b>	<b>343,549</b>		
4	5	101	-	6,123		
713	1,287	1,037	2	9,617		
259	141	96	53	1,414		
92	63	1,087	24	3,078		
-	-	3	-	76		
1	18	467	-	486		
-	-	-	-	21,746		
-	-	212	-	4,150		
1	8	-	-	9		
-	-	21,635	-	21,707		
-	-	14,931	-	33,641		
-	895	-	-	895		
-	-	-	-	1,633		
<b>1,070</b>	<b>2,417</b>	<b>39,569</b>	<b>79</b>	<b>104,575</b>		
684	315	241	173	3,874		
-	77,943	-	-	77,943		
-	-	-	-	1,880		
<b>684</b>	<b>78,258</b>	<b>241</b>	<b>173</b>	<b>83,697</b>		
<b>1,754</b>	<b>80,675</b>	<b>39,810</b>	<b>252</b>	<b>188,272</b>		
2,381	(33,730)	89	13	(26,608)		
-	-	-	-	9,531		
5,941	23,159	100,605	784	172,354		
<b>\$ 8,322</b>	<b>\$ (10,571)</b>	<b>\$ 100,694</b>	<b>\$ 797</b>	<b>\$ 155,277</b>		

**STATE OF ALABAMA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**Internal Service Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
<b>OPERATING REVENUES</b>					
Charges for Goods and Services	\$ 25,822	\$ 19,920	\$ 9,891	\$ 4,461	\$ -
Investment Earnings	-	-	-	-	(383)
Premiums and Contributions	-	-	-	-	242,269
Rents and Leases	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>25,822</b>	<b>19,920</b>	<b>9,891</b>	<b>4,461</b>	<b>241,886</b>
<b>OPERATING EXPENSES</b>					
Salaries, Wages, and Benefits	6,148	2,779	841	2,585	1,569
Utilities and Communications	159	15,581	18	147	120
Professional Services	3,047	1,471	149	123	3,341
Supplies, Materials, and Operating Expenses	3,421	1,093	7,270	1,569	200
Interest	-	-	-	-	-
Depreciation	1,554	2,203	540	333	40
Claims and Benefits	-	-	-	-	229,508
Other	5,339	740	316	394	402
<b>Total Operating Expenses</b>	<b>19,668</b>	<b>23,867</b>	<b>9,134</b>	<b>5,151</b>	<b>235,180</b>
<b>Operating Income (Loss)</b>	<b>6,154</b>	<b>(3,947)</b>	<b>757</b>	<b>(690)</b>	<b>6,706</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income	-	-	-	-	-
Other Nonoperating Revenues	4	741	14	10	-
Interest Expense	(30)	(51)	-	(11)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(26)</b>	<b>690</b>	<b>14</b>	<b>(1)</b>	<b>0</b>
<b>Income (Loss) Before Transfers and Contributions</b>	<b>6,128</b>	<b>(3,257)</b>	<b>771</b>	<b>(691)</b>	<b>6,706</b>
Operating Transfers In	-	3,405	-	-	1,429
Operating Transfers Out	(18,013)	(2,012)	(5)	(11)	(386)
<b>Increase (Decrease) in Net Assets</b>	<b>(11,885)</b>	<b>(1,864)</b>	<b>766</b>	<b>(702)</b>	<b>7,749</b>
Total Net Assets, October 1, 2001, as Restated	25,451	5,839	6,654	2,304	21,723
<b>Total Net Assets, September 30, 2002</b>	<b>\$ 13,566</b>	<b>\$ 3,975</b>	<b>\$ 7,420</b>	<b>\$ 1,602</b>	<b>\$ 29,472</b>

Correctional Industries	Building	Other			
	Renovation	Risk	Internal Service	Totals	
	Finance Authority	Management	Funds		
\$ 10,464	\$ -	\$ 1,440	\$ 1,490	\$ 73,488	
-	-	4,234	-	3,851	
-	-	22,223	-	264,492	
-	14,876	-	-	14,876	
<b>10,464</b>	<b>14,876</b>	<b>27,897</b>	<b>1,490</b>	<b>356,707</b>	
4,487	2,228	1,469	933	23,039	
468	2,503	133	11	19,140	
391	1,028	4,398	297	14,245	
6,778	268	9,435	14	30,048	
-	5,547	-	-	5,547	
393	3,773	58	14	8,908	
-	-	15,097	-	244,605	
1,067	642	4,031	94	13,025	
<b>13,584</b>	<b>15,989</b>	<b>34,621</b>	<b>1,363</b>	<b>358,557</b>	
(3,120)	(1,113)	(6,724)	127	(1,850)	
-	407	-	-	407	
192	77	869	106	2,013	
-	-	-	-	(92)	
<b>192</b>	<b>484</b>	<b>869</b>	<b>106</b>	<b>2,328</b>	
(2,928)	(629)	(5,855)	233	478	
2,485	2,836	-	-	10,155	
(19)	(1,334)	(4)	(3)	(21,787)	
(462)	873	(5,859)	230	(11,154)	
8,784	(11,444)	106,553	567	166,431	
<b>\$ 8,322</b>	<b>\$ (10,571)</b>	<b>\$ 100,694</b>	<b>\$ 797</b>	<b>\$ 155,277</b>	

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CASH FLOWS**

**Internal Service Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customer & User Charges	50	1,662	100	92	-
Receipts from Interfund Services	23,645	17,360	9,547	3,706	245,361
Receipts from Other Operating Activities	4	7,677	9	440	28
Payments for Goods Held for Resale	(1,465)	(61)	(7,632)	(1,390)	-
Payments for Other Goods & Services	(9,872)	(17,632)	(412)	(627)	(3,055)
Payments for Employees Services	(6,131)	(2,758)	(845)	(2,454)	(1,635)
Payments for Taxes, Fines, Penalties, & Similar Fees	(5,383)	-	-	-	-
Payments for Interfund Services	(689)	(788)	(242)	(172)	(474)
Payments for Other Operating Activities	(8)	(7,547)	(1)	(1)	(15)
Payments for Claims	-	-	-	-	(224,958)
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>151</b>	<b>(2,087)</b>	<b>524</b>	<b>(406)</b>	<b>15,252</b>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers from Other Funds for Noncapital Financing	-	3,405	-	-	1,421
Transfers to Other Funds for Noncapital Financing	(18,016)	(2,008)	(5)	(11)	(386)
<b>Net Cash Provided By (Used In)</b>					
<b>Noncapital Financing Activities</b>	<b>(18,016)</b>	<b>1,397</b>	<b>(5)</b>	<b>(11)</b>	<b>1,035</b>
<b>Cash Flows From Capital &amp; Related Financing Activities:</b>					
Proceeds from Revenue Bonds & Other Capital Debt	-	-	-	-	-
Receipts from Sale of Capital Assets & Insurance Proceeds	-	1	25	1	-
Payments to Acquire, Construct, & Improve Capital Assets	(780)	(714)	(462)	(155)	(30)
Principal Paid on Revenue Bonds & Other Capital Debt	(236)	(933)	-	(122)	-
Interest Paid on Revenue Bonds & Other Capital Debt	(29)	(65)	-	(11)	-
<b>Net Cash Provided by (Used in)</b>					
<b>Capital and Related Financing Activities</b>	<b>(1,045)</b>	<b>(1,711)</b>	<b>(437)</b>	<b>(287)</b>	<b>(30)</b>
<b>Cash Flows From Investing Activities</b>					
Receipts from Sales & Maturities of Investments	-	-	-	-	344,827
Receipts from Interest & Dividends on Investments & Loans	-	-	-	-	1,500
Purchase of Investments	-	-	-	-	(367,725)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21,398)</b>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	<b>(18,910)</b>	<b>(2,401)</b>	<b>82</b>	<b>(704)</b>	<b>(5,141)</b>
Cash Balance, October 1, 2001	30,188	4,661	3,032	1,089	7,584
<b>Cash Balance, September 30, 2002</b>	<b>11,278</b>	<b>2,260</b>	<b>3,114</b>	<b>385</b>	<b>2,443</b>
Add: Warrants Payable	5,384	12	603	10	4
<b>Cash and Cash Equivalents, as Reported on Balance Sheet</b>	<b>\$ 16,662</b>	<b>\$ 2,272</b>	<b>\$ 3,717</b>	<b>\$ 395</b>	<b>\$ 2,447</b>

Correctional Industries	Building Renovation		Other	
	Finance Authority	Risk Management	Internal Service Funds	Totals
4,756	60	1,425	-	8,145
5,857	14,681	22,030	1,496	343,683
52	89	2,641	1	10,941
(6,632)	-	-	-	(17,180)
(2,497)	(4,019)	(15,831)	(104)	(54,049)
(4,508)	(2,149)	(1,423)	(925)	(22,828)
-	-	-	-	(5,383)
(396)	(440)	(1,279)	(344)	(4,824)
(138)	(2)	(5,062)	(1)	(12,775)
-	-	(8,796)	-	(233,754)
<b>(3,506)</b>	<b>8,220</b>	<b>(6,295)</b>	<b>123</b>	<b>11,976</b>
2,485	1,515	-	50	8,876
(19)	(14)	(4)	(3)	(20,466)
<b>2,466</b>	<b>1,501</b>	<b>(4)</b>	<b>47</b>	<b>(11,590)</b>
-	46,147	-	-	46,147
10	-	-	-	37
(196)	(2,076)	(16)	(1)	(4,430)
-	(61,256)	-	-	(62,547)
-	(5,068)	-	-	(5,173)
<b>(186)</b>	<b>(22,253)</b>	<b>(16)</b>	<b>(1)</b>	<b>(25,966)</b>
-	-	346,490	-	691,317
-	407	6,022	-	7,929
-	-	(343,970)	-	(711,695)
<b>0</b>	<b>407</b>	<b>8,542</b>	<b>0</b>	<b>(12,449)</b>
<b>(1,226)</b>	<b>(12,125)</b>	<b>2,227</b>	<b>169</b>	<b>(38,029)</b>
5,335	34,572	2,547	444	89,452
<b>4,109</b>	<b>22,447</b>	<b>4,774</b>	<b>613</b>	<b>51,423</b>
<b>4</b>	<b>5</b>	<b>101</b>	<b>-</b>	<b>6,123</b>
<b>\$ 4,113</b>	<b>\$ 22,452</b>	<b>\$ 4,875</b>	<b>\$ 613</b>	<b>\$ 57,546</b>

*Continued on next page...*

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CASH FLOWS**

**Internal Service Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Information Services Fund	Telecom- munications Fund	Service Division	Printing and Publications	State Employees' Health Insurance
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
<b>Operating Income (Loss)</b>					
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Accounts Receivable	-	-	-	-	-
Due from Other Funds	(1,391)	(861)	(239)	188	334
Inventory	-	-	(451)	108	-
Other Assets	-	-	-	-	-
Accounts Payable	(59)	429	(71)	(67)	2,538
Salaries Payable	(26)	13	7	93	21
Due to Other Funds	61	(1,356)	(18)	(2)	140
Due to Other Governments	(5,383)	-	-	-	-
Deferred Revenue	-	-	-	(418)	2,159
Insurance Claims IBNR	-	-	-	-	2,910
Amounts Held in Custody for Others	(807)	659	-	-	-
Compensated Absences	44	8	(10)	38	25
Other Liabilities	-	-	-	-	(4)
Investment Income	-	-	-	-	383
Operating Interest Expense	-	-	-	-	-
Depreciation	1,554	2,203	540	333	40
Nonoperating Revenues	4	765	9	11	-
Total Adjustments	(6,003)	1,860	(233)	284	8,546
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 151</b>	<b>\$ (2,087)</b>	<b>\$ 524</b>	<b>\$ (406)</b>	<b>\$ 15,252</b>

**Noncash Investing, Capital, and Financing Activities**

Increase (Decrease):

Transfers, Donations, and Other Additions to Capital Assets	3,042	5,045	259	430	-
Disposals, Write-offs, and Other Reductions to Capital Asset	(199)	(6,182)	(354)	(420)	-
Interest Accruals and Other Adjustments	-	-	-	-	(794)
Unrealized Gains (losses) in Investment Fair Value	-	-	-	-	2,677
Investment Accruals and Other Adjustments	-	-	-	-	(2,266)
Operating Transfers In (out)	(3)	3	-	-	(9)

Correctional Industries	Building	Other		
	Renovation	Risk	Internal Service	
	Finance Authority	Management	Funds	Totals
(3,120)	(1,113)	(6,724)	127	(1,850)
-	-	(78)	-	(78)
(36)	(138)	8,774	-	6,631
(420)	-	-	-	(763)
-	-	(2,097)	-	(2,097)
(464)	(19)	1,212	1	3,500
27	22	24	2	183
122	2	(15)	(26)	(1,092)
-	-	-	-	(5,383)
-	-	(8,835)	-	(7,094)
-	-	(333)	-	2,577
-	-	214	-	66
(39)	57	21	5	149
-	-	5,441	-	5,437
-	-	(4,234)	-	(3,851)
-	5,547	-	-	5,547
393	3,773	58	14	8,908
31	89	277	-	1,186
(386)	9,333	429	(4)	13,826
<b>\$ (3,506)</b>	<b>\$ 8,220</b>	<b>\$ (6,295)</b>	<b>\$ 123</b>	<b>\$ 11,976</b>

574	2,393	-	9	11,752
(113)	(1,835)	(11)	(24)	(9,138)
-	116	(72)	-	(750)
-	-	(1,889)	-	788
-	-	2,200	-	(66)
-	-	-	-	(9)



# **Pension (and Other Employee Benefit) Trust Funds**

*Pension (and Other Employee Benefit) Trust Funds account for the resources held in trust for members and beneficiaries of retirement plans and other employee benefit plans administered by the State.*

## **Employees' Retirement System**

Accounts for the accumulation of resources for pension benefit payments to State employees, State police, and employees of other eligible governmental organizations such as cities and counties within the State.

## **Teachers' Retirement System**

Accounts for the accumulation of resources for pension benefit payments to employees of state-supported educational institutions.

## **Judicial Retirement Fund**

Accounts for the accumulation of resources for pension benefit payments to judges of the State's Supreme Court, Court of Civil Appeals, Court of Criminal Appeals, and Circuit Court.

## **Peace Officers' Annuity and Benefits**

Provides a pension benefit to State and local peace officers.

## **State Port Authority Hourly Plan**

Is a retirement fund for certain hourly employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

## **State Port Authority Railway Plan**

Is a retirement fund for certain employees of the Alabama State Port Authority who are not members of the State Employees' Retirement System.

## **Clerks And Registers Supernumerary**

Is a pension plan for certain employees of the court system.

## **Flexible Employee's Benefit Board**

Provides a number of benefit programs to State employees such as a cafeteria plan, health care reimbursement accounts, and dependent care reimbursement accounts.

## **Employee Savings Plans**

Accounts for resources contributed by public employees for deferred compensation plans and individual retirement accounts.

**STATE OF ALABAMA**

**COMBINING STATEMENT OF PLAN NET ASSETS**  
**Pension (and Other Employee Benefit) Trust Funds**

**September 30, 2002**

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 20,294	\$ 40,413	\$ 1,189	\$ 299	\$ -
Investments (Note 1I, 3)					
U.S. Treasury Securities	16,698	33,397	-	2,342	-
U.S. Agency Securities	285,470	759,599	9,640	1,544	-
Mortgage Backed Securities	119,845	315,114	1,403	3,586	-
Corporate Stocks	2,472,136	4,839,313	85,963	78	-
Corporate Bonds	2,195,935	4,791,848	81,918	5,279	1,890
Real Estate	432,015	900,686	2,363	-	-
Commercial Paper	73,728	509,688	3,222	-	1,927
International Stocks	467,051	1,017,281	-	-	-
International Bonds	36,987	91,531	-	-	-
Mutual and Money Market Funds	110,900	450,075	5,691	4,681	272
Other	110,383	222,273	-	-	-
Receivables					
Accounts Receivable	-	-	-	-	-
Due from Primary Government	9	-	-	-	-
Due from Component Units	-	2	-	-	-
Employer Contributions Receivable	5,994	21,924	286	-	-
Member Contributions Receivable	8,093	18,408	109	-	-
Interest and Dividends Receivable	79,498	175,098	2,120	158	-
Securities Lending Collateral	236,328	944,077	2,364	-	-
Capital Assets, Net of Accumulated Depreciation	1,740	2,227	-	2	-
Capital Assets Not Being Depreciated	499	691	-	-	-
<b>TOTAL ASSETS</b>	<b>6,673,603</b>	<b>15,133,645</b>	<b>196,268</b>	<b>17,969</b>	<b>4,089</b>
<b>LIABILITIES</b>					
Warrants Payable	\$ 11,062	\$ 18,846	\$ 494	\$ 179	\$ -
Accounts Payable	403	366	9	13	-
Salaries Payable	318	478	18	13	-
Due to Other Funds	-	-	-	2	-
Due to Primary Government	2	68	-	-	-
Due to Component Units	2	-	-	-	-
Securities Lending Obligation	236,328	944,077	2,364	-	-
Deferred Revenue	370	787	-	-	-
Amounts Held in Custody for Others	-	1	-	-	-
Compensated Absences	709	1,299	89	57	-
<b>TOTAL LIABILITIES</b>	<b>249,194</b>	<b>965,922</b>	<b>2,974</b>	<b>264</b>	<b>0</b>
<b>NET ASSETS</b>					
Held in Trust for Pension and Other Employee Benefits	6,424,409	14,167,723	193,294	17,705	4,089
<b>TOTAL NET ASSETS</b>	<b>\$ 6,424,409</b>	<b>\$ 14,167,723</b>	<b>\$ 193,294</b>	<b>\$ 17,705</b>	<b>\$ 4,089</b>

State Port Authority Railway	Plan	Clerks and Registers	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$	-	\$	12	\$	\$
			111	2,082	64,400
					52,437
				84,454	1,140,707
				11,604	451,552
				39,265	7,436,755
190	4,176		-	482,656	7,563,892
				-	1,335,064
195	1,068		-	67,661	657,489
				-	1,484,332
				-	128,518
27	990		-	47,414	620,050
				-	332,656
			187	-	187
			-	-	9
			-	-	2
			-	-	28,204
			-	-	26,610
			-	14,331	271,205
			-	-	1,182,769
			-	-	3,969
			-	-	1,190
412	6,246		298	749,467	22,781,997
\$	-	\$	12	\$	\$
				-	31,618
			244	-	1,035
			-	-	827
			-	-	2
			-	-	70
			-	-	2
			-	-	1,182,769
			-	-	1,157
			-	-	1
			-	-	2,154
0	12		244	1,025	1,219,635
412	6,234		54	748,442	21,562,362
<b>\$ 412</b>	<b>\$ 6,234</b>		<b>\$ 54</b>	<b>\$ 748,442</b>	<b>\$ 21,562,362</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**

**Pension (and Other Employee Benefit) Trust Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Employees' Retirement System	Teachers' Retirement System	Judicial Retirement Fund	Peace Officers' Annuity and Benefit	State Port Authority Hourly Plan
<b>ADDITIONS</b>					
Contributions:					
Employee	\$ 149,130	\$ 233,789	\$ 2,271	\$ 591	\$ -
Employer	123,887	265,670	8,222	-	256
Total Contributions	<u>273,017</u>	<u>499,459</u>	<u>10,493</u>	<u>591</u>	<u>256</u>
Investment Earnings					
Investment Interest and Dividends	297,845	672,200	9,777	792	250
Net Increase (Decrease) in Fair Value of Investments	(953,188)	(1,915,592)	(33,036)	(631)	(773)
Securities Lending Income	5,741	16,473	88	-	-
Total Investment Earnings	<u>(649,602)</u>	<u>(1,226,919)</u>	<u>(23,171)</u>	<u>161</u>	<u>(523)</u>
Less:					
Investment Expense	(2,331)	(4,592)	(85)	(46)	-
Securities Lending Interest and Fees	(4,427)	(13,246)	(78)	-	-
Net Investment Income	<u>(656,360)</u>	<u>(1,244,757)</u>	<u>(23,334)</u>	<u>115</u>	<u>(523)</u>
Other Additions					
Licenses and Fees	-	-	-	2,414	-
Miscellaneous	2,144	2,085	85	2	-
Operating Transfers In	-	-	-	-	-
Total Other Additions	<u>2,144</u>	<u>2,085</u>	<u>85</u>	<u>2,416</u>	<u>0</u>
<b>Total Additions</b>	<b>(381,199)</b>	<b>(743,213)</b>	<b>(12,756)</b>	<b>3,122</b>	<b>(267)</b>
<b>DEDUCTIONS</b>					
Benefit Payments	423,253	894,021	16,798	3,681	-
Return of Contributions	-	-	-	79	-
Administrative Expense	7,753	9,290	303	304	-
Operating Transfers Out	-	-	-	1	-
<b>Total Deductions</b>	<b>431,006</b>	<b>903,311</b>	<b>17,101</b>	<b>4,065</b>	<b>0</b>
<b>Changes in Net Assets</b>	<b>(812,205)</b>	<b>(1,646,524)</b>	<b>(29,857)</b>	<b>(943)</b>	<b>(267)</b>
Net Assets Held in Trust for Pension and Other Employee Benefits, October 1, 2001, as Restated	<u>7,236,614</u>	<u>15,814,247</u>	<u>223,151</u>	<u>18,648</u>	<u>4,356</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits, September 30, 2002</b>	<b><u>\$ 6,424,409</u></b>	<b><u>\$ 14,167,723</u></b>	<b><u>\$ 193,294</u></b>	<b><u>\$ 17,705</u></b>	<b><u>\$ 4,089</u></b>

State Port Authority Railway Plan	Clerks and Registers Supernumerary	Flexible Employees' Benefits	Employee Savings Plans	Totals
\$ - 3	\$ 283	\$ 804	\$ 46,074	\$ 432,942
				398,038
	283	804	46,074	830,980
26 (78) -	466 (179) -	- -	52,308 (64,353) -	1,033,664 (2,967,830) 22,302
(52)	287	0	(12,045)	(1,911,864)
- -	- -	- -	- -	(7,054) (17,751)
(52)	287	0	(12,045)	(1,936,669)
- -	- -	- -	- -	2,414
- -	- -	4	1	4,321
- -	- -	380	-	380
0	0	384	1	7,115
(49)	570	1,188	34,030	(1,098,574)
- -	- -	- -	- -	1,367,483
- -	- -	- -	- -	79
- -	- -	362	- -	18,012
- -	- -	- -	- -	1
0	148	1,145	28,799	1,385,575
(49)	422	43	5,231	(2,484,149)
461	5,812	11	743,211	24,046,511
<b>\$ 412</b>	<b>\$ 6,234</b>	<b>\$ 54</b>	<b>\$ 748,442</b>	<b>\$ 21,562,362</b>



## **Private-Purpose Trust**

*Private-Purpose Trust report trust arrangements where the principal and income benefit individuals, private organizations or other governments.*

### **Prepaid Affordable College Tuition**

Accounts for the operation of a prepaid college tuition plan for the benefit of the citizens of Alabama.

### **Education Department Endowments**

Accounts for the proceeds of several educational endowments managed by the Department for the benefit of local school systems.

### **Alabama Education Foundation**

Receives and invests donated monies for local public schools.

### **Alabama College Education Savings Plan**

Accounts for the operation of an individual college tuition savings plan

**STATE OF ALABAMA**

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

**Private-Purpose Trust Funds**

**September 30, 2002**

(Amounts in Thousands)

	Prepaid			Alabama	
	Affordable	Education	Alabama	College	
	College	Department	Education	Education	
	Tuition	Endowments	Foundation	Savings Plan	Totals
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 21,669	\$ 4	\$ -	\$ 201	\$ 21,874
Investments (Note 1I, 3)					
Time Deposits	-	132	-	-	132
U.S. Treasury Securities	30,798	-	-	-	30,798
U.S. Agency Securities	36,909	-	-	-	36,909
State and Local Government Securities	1,100	-	-	-	1,100
Mortgage Backed Securities	30,051	-	-	-	30,051
Corporate Stocks	285,580	3,373	-	-	288,953
Corporate Bonds	74,383	1,698	71	-	76,152
Real Estate	-	840	-	-	840
Commercial Paper	-	-	101	-	101
Mutual and Money Market Funds	-	160	288	-	448
Other	-	181	-	-	181
Receivables					
Accounts Receivable	105	-	-	-	105
Due from Other Funds	37	-	-	-	37
Interest and Dividends Receivable	2,468	40	-	-	2,508
Capital Assets, Net of Accumulated Depreciation	3	-	-	-	3
<b>TOTAL ASSETS</b>	<b>483,103</b>	<b>6,428</b>	<b>460</b>	<b>201</b>	<b>490,192</b>
<b>LIABILITIES</b>					
Warrants Payable	391	-	-	-	391
Accounts Payable	1,172	-	-	-	1,172
Salaries Payable	21	-	-	-	21
Due to Other Funds	42	-	-	-	42
Compensated Absences	58	-	-	-	58
<b>TOTAL LIABILITIES</b>	<b>1,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,684</b>
<b>NET ASSETS</b>					
Held in Trust for Beneficiaries	481,419	6,428	460	201	488,508
<b>TOTAL NET ASSETS</b>	<b>\$ 481,419</b>	<b>\$ 6,428</b>	<b>\$ 460</b>	<b>\$ 201</b>	<b>\$ 488,508</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Private-Purpose Trust Funds**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Prepaid Affordable College Tuition	Education Department Endowments	Alabama Alabama Education Foundation	College Education Savings Plan	Alabama College Education Savings Plan Totals
<b>ADDITIONS</b>					
Contributions:					
Participants	\$ 35,391	\$ -	\$ -	\$ 200	\$ 35,591
Total Contributions	35,391	0	0	200	35,591
Investment Earnings					
Investment Interest and Dividends	16,355	191	14	2	16,562
Net Increase (Decrease) in Fair Value of Investments	(73,755)	(849)	(26)	-	(74,630)
Total Investment Earnings	(57,400)	(658)	(12)	2	(58,068)
Other Additions					
Miscellaneous	1,021	6	69	-	1,096
Total Other Additions	1,021	6	69	0	1,096
<b>Total Additions</b>	<b>(20,988)</b>	<b>(652)</b>	<b>57</b>	<b>202</b>	<b>(21,381)</b>
<b>DEDUCTIONS</b>					
Benefit Payments	26,135	-	-	-	26,135
Administrative Expense	3,298	-	-	1	3,299
Operating Transfers Out	-	292	-	-	292
<b>Total Deductions</b>	<b>29,433</b>	<b>292</b>	<b>0</b>	<b>1</b>	<b>29,726</b>
<b>Changes in Net Assets</b>	<b>(50,421)</b>	<b>(944)</b>	<b>57</b>	<b>201</b>	<b>(51,107)</b>
Net Assets Held in Trust for Beneficiaries, October 1, 2001, as Restated	531,840	7,372	403	-	539,615
<b>Net Assets Held in Trust for Beneficiaries, September 30, 2002</b>	<b>\$ 481,419</b>	<b>\$ 6,428</b>	<b>\$ 460</b>	<b>\$ 201</b>	<b>\$ 488,508</b>



# **Agency Funds**

*Agency Funds report assets held by the State in a purely custodial capacity (assets equal liabilities). Agency funds typically involve the receipt, temporary investment, and remittance of resources to individuals, organizations or other governments.*

## **State Clearing Accounts**

Accounts for the collection and distribution of State taxes and licenses as well as amounts collected and held by courts for individuals.

## **Taxes Collected For Local Governments**

Accounts for local taxes which are collected by the State as a service for local governments. These taxes do not represent future revenues of the State.

## **Payroll**

Accounts for amounts withheld from employees that are not yet distributed to outside organizations or governments.

## **Other Agency Funds**

Are aggregated for financial reporting purposes and represent amounts held for child support payments, cash bonds, and numerous other amounts held for individuals and organizations outside of State government.

**STATE OF ALABAMA**

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**Agency Funds**

**September 30, 2002**

(Amounts in Thousands)

	Taxes					<b>Totals</b>	
	<b>State Clearing Accounts</b>	<b>Collected For</b>		<b>Other</b>			
		<b>Local Governments</b>	<b>Payroll</b>	<b>Agency Funds</b>			
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 207,786	\$ 17,657	\$ 6,987	\$ 13,278	\$ 245,708		
Investments	-	-	-	42,991	42,991		
Accounts Receivable	8	-	-	-	-	8	
Due from Other Funds	139	-	8	-	-	147	
<b>TOTAL ASSETS</b>	<b>\$ 207,933</b>	<b>\$ 17,657</b>	<b>\$ 6,995</b>	<b>\$ 56,269</b>	<b>\$ 288,854</b>		
<b>LIABILITIES</b>							
Warrants Payable	\$ 14,431	\$ 6,409	\$ 3,065	\$ 5,095	\$ 29,000		
Accounts Payable	53	-	-	399	452		
Due to Other Governments	225	10,008	-	105	10,338		
Amounts Held in Custody for Others	193,224	1,240	3,930	50,670	249,064		
<b>TOTAL LIABILITIES</b>	<b>\$ 207,933</b>	<b>\$ 17,657</b>	<b>\$ 6,995</b>	<b>\$ 56,269</b>	<b>\$ 288,854</b>		



# STATE OF ALABAMA

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES Agency Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Balance October 1, 2001	Additions	Reductions	Balance September 30, 2002
<b>STATE TAXES</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	221,254	10,418,488	10,431,956	207,786
Accounts Receivable	9	1	2	8
Due from Other Funds	462	4,903	5,227	138
Taxes Receivable	-	1,163,323	1,163,323	-
Due from Other Funds	-	1	-	1
<b>TOTAL ASSETS</b>	<b>\$ 221,725</b>	<b>\$ 11,586,716</b>	<b>\$ 11,600,508</b>	<b>\$ 207,933</b>
<b>LIABILITIES</b>				
Warrants Payable	11,403	530,436	527,408	14,431
Accounts Payable	1	105,380	105,328	53
Due to Other Funds	6,057	3,446	9,503	-
Due to Other Governments	220	8,400	8,395	225
Amounts Held Pending Distribution	125,002	13,027,484	13,152,486	-
Deferred Revenue	-	2,130	2,130	-
Amounts Held in Custody for Others	79,042	135,781	21,599	193,224
<b>TOTAL LIABILITIES</b>	<b>\$ 221,725</b>	<b>\$ 13,813,057</b>	<b>\$ 13,826,849</b>	<b>\$ 207,933</b>
<b>TAXES COLLECTED FOR LOCAL GOVT'S</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	24,571	220,296	227,210	17,657
Due from Other Funds	1,134	1,242	2,376	-
<b>TOTAL ASSETS</b>	<b>\$ 25,705</b>	<b>\$ 221,538</b>	<b>\$ 229,586</b>	<b>\$ 17,657</b>
<b>LIABILITIES</b>				
Warrants Payable	10,834	217,936	222,361	6,409
Accounts Payable	43	218,885	218,928	-
Due to Other Funds	27	6	33	-
Due to Other Governments	13,600	219,947	223,539	10,008
Amounts Held Pending Distribution	69	294	363	-
Deferred Revenue	1,132	1,238	2,370	-
Amounts Held in Custody for Others	-	1,240	-	1,240
<b>TOTAL LIABILITIES</b>	<b>\$ 25,705</b>	<b>\$ 659,546</b>	<b>\$ 667,594</b>	<b>\$ 17,657</b>
<b>PAYROLL</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	6,673	1,671,644	1,671,330	6,987
Due from Other Funds	2	66	60	8
<b>TOTAL ASSETS</b>	<b>\$ 6,675</b>	<b>\$ 1,671,710</b>	<b>\$ 1,671,390</b>	<b>\$ 6,995</b>
<b>LIABILITIES</b>				
Warrants Payable	3,027	1,285,005	1,284,967	3,065
Accounts Payable	3,321	433,340	436,661	-
Due to Other Funds	2	74	76	-
Amounts Held Pending Distribution	-	381,916	381,916	-
Amounts Held in Custody for Others	325	681,235	677,630	3,930
<b>TOTAL LIABILITIES</b>	<b>\$ 6,675</b>	<b>\$ 2,781,570</b>	<b>\$ 2,781,250</b>	<b>\$ 6,995</b>

	Balance October 1, 2001	Additions	Reductions	Balance September 30, 2002
<b>OTHER AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	28,741	542,966	558,429	13,278
Investments	47,263	4,176	8,448	42,991
<b>TOTAL ASSETS</b>	<b>\$ 76,004</b>	<b>\$ 547,142</b>	<b>\$ 566,877</b>	<b>\$ 56,269</b>
<b>LIABILITIES</b>				
Warrants Payable	4,175	244,961	244,041	5,095
Accounts Payable	44	13,035	12,680	399
Due to Other Funds	-	113,784	113,784	-
Due to Other Governments	50	621	566	105
Amounts Held Pending Distribution	6,753	263,817	270,570	-
Amounts Held in Custody for Others	64,982	168,654	182,966	50,670
<b>TOTAL LIABILITIES</b>	<b>\$ 76,004</b>	<b>\$ 804,872</b>	<b>\$ 824,607</b>	<b>\$ 56,269</b>
<b>TOTALS - ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents	281,239	12,853,394	12,888,925	245,708
Investments	47,263	4,176	8,448	42,991
Accounts Receivable	9	1	2	8
Due from Other Funds	1,598	6,211	7,663	146
Taxes Receivable	-	1,163,323	1,163,323	-
Due from Other Funds	-	1	-	1
<b>TOTAL ASSETS</b>	<b>\$ 330,109</b>	<b>\$ 14,027,106</b>	<b>\$ 14,068,361</b>	<b>\$ 288,854</b>
<b>LIABILITIES</b>				
Warrants Payable	29,439	2,278,338	2,278,777	29,000
Accounts Payable	3,409	770,640	773,597	452
Due to Other Funds	6,086	117,310	123,396	-
Due to Other Governments	13,870	228,968	232,500	10,338
Amounts Held Pending Distribution	131,824	13,673,511	13,805,335	-
Deferred Revenue	1,132	3,368	4,500	-
Amounts Held in Custody for Others	144,349	986,910	882,195	249,064
<b>TOTAL LIABILITIES</b>	<b>\$ 330,109</b>	<b>\$ 18,059,045</b>	<b>\$ 18,100,300</b>	<b>\$ 288,854</b>



# **Nonmajor Component Units**

## **Higher Education Loan Corporation**

Provides Alabama lending institutions with a secondary market for student loans made under the Higher Education Act, which established the Federal Guaranteed Student Loan Program.

## **Drinking Water Finance Authority**

Issues revolving loan bonds and lends the bond proceeds to local governments at below market rates for the construction of drinking water treatment and distribution facilities.

## **Alabama Agricultural and Mechanical University**

Reports the operations and balances of the University.

## **Alabama State University**

Reports the operations and balances of the University.

## **Jacksonville State University**

Reports the operations and balances of the University.

## **University of North Alabama**

Reports the operations and balances of the University.

## **Troy State University**

Reports the operations and balances of the University.

## **Space Science Exhibit Commission**

Operates the U.S. Space and Rocket Center and the U.S. Space Camp.

## **Historical Commission**

Preserves and maintains buildings, objects, and sites of historical significance.

## **Incentives Finance Authority**

Issues bonded debt for the purpose of making incentive grants to major industries locating or expanding within the State.

## **Twenty-first Century Authority**

Finances economic development and industrial recruitment incentives primarily with debt secured by tobacco settlement revenues.

## **Other Nonmajor Component Units**

Combined totals of other nonmajor component units, which are reported in more detail later in this report.

# STATE OF ALABAMA

## COMBINING STATEMENT OF NET ASSETS

### Nonmajor Component Units

September 30, 2002

(Amounts in Thousands)

	Higher Education Loan Corporation	Drinking Water Finance Authority	Alabama Agricultural and Mechanical University	Alabama State University	Jacksonville State University
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 14,443	\$ 20,281	\$ 197	\$ 8,582	\$ 25,946
Investments	28,373	53,419	19,168	10,846	10,057
Accounts Receivable	-	-	20,589	7,481	6,076
Due from Primary Government	-	-	-	-	-
Due from Other Governments	-	110,854	-	2,998	-
Interest and Dividends Receivable	745	702	-	-	-
Mortgages, Notes, and Loans Receivable	30,235	-	-	2,546	2,245
Inventory	-	-	935	833	-
Other Assets	518	3,064	4,742	1,464	4,446
Restricted Assets	-	-	-	-	-
Capital Assets, Net of Accumulated Depreciation	-	-	82,391	63,158	48,168
Capital Assets Not Being Depreciated	-	-	21,525	12,488	3,723
<b>TOTAL ASSETS</b>	<b>74,314</b>	<b>188,320</b>	<b>149,547</b>	<b>110,396</b>	<b>100,661</b>
<b>LIABILITIES</b>					
Warrants Payable	-	-	-	-	-
Accounts Payable	138	-	1,866	5,187	3,169
Salaries Payable	-	-	-	-	468
Interest Payable	175	690	-	-	-
Due to Primary Government	-	37	-	-	-
Due to Other Governments	-	25,796	-	-	467
Claims Payable	-	-	-	-	-
Deferred Revenue	-	-	17,450	7,692	13,063
Amounts Held in Custody for Others	-	-	600	-	573
Compensated Absences	-	-	1,224	1,698	1,077
Other Liabilities	8,094	622	-	-	-
Notes and Mortgages Payable	-	-	-	-	-
Revenue Bonds Payable	54,390	107,179	63,065	33,943	13,245
Capital Lease Obligations	-	-	6,254	605	-
<b>TOTAL LIABILITIES</b>	<b>62,797</b>	<b>134,324</b>	<b>90,459</b>	<b>49,125</b>	<b>32,062</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	-	-	37,362	42,083	39,917
Restricted for:					
Permanent Trust - Expendable	-	-	6,016	7,384	5,553
Permanent Trust - Non-expendable	-	-	-	200	664
Debt Service	-	-	-	2,240	-
Other Purposes	-	-	-	-	-
Unrestricted	11,517	53,996	15,710	9,364	22,465
<b>TOTAL NET ASSETS</b>	<b>\$ 11,517</b>	<b>\$ 53,996</b>	<b>\$ 59,088</b>	<b>\$ 61,271</b>	<b>\$ 68,599</b>

University of North Alabama		Troy State University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 20,340	\$ 32,201	\$ 65	\$ 667	\$ 23,024	\$ 138,400	\$ 42,192	\$ 326,338	
10,117	5,929	-	8,078	-	-	19,904	165,891	
3,905	22,701	424	-	-	-	11,797	72,973	
-	-	-	13	-	-	-	13	
-	-	-	-	-	-	-	113,852	
-	-	-	-	-	-	21	1,468	
1,658	2,366	-	-	-	-	607	39,657	
-	1,264	315	73	-	-	5,423	8,843	
3,099	17,014	263	-	-	-	4,493	39,103	
-	-	2,154	-	-	-	-	2,154	
35,896	71,184	29,421	484	-	-	85,630	416,332	
5,114	3,536	7,302	68,860	-	-	6,218	128,766	
<b>80,129</b>	<b>156,195</b>	<b>39,944</b>	<b>78,175</b>	<b>23,024</b>	<b>138,400</b>	<b>176,285</b>	<b>1,315,390</b>	
-	-	-	91	-	95	8	194	
685	1,784	592	357	-	-	4,583	18,361	
656	-	-	278	-	-	86	1,488	
314	-	162	-	-	303	-	1,644	
-	-	-	15	-	-	66	118	
-	-	-	85	-	-	724	27,072	
-	-	607	-	-	-	2,758	3,365	
7,577	14,779	1,411	-	-	-	8,283	70,255	
391	4,041	-	-	-	-	926	6,531	
592	359	-	485	-	-	2,722	8,157	
-	2,362	-	-	-	-	-	11,078	
2,000	494	3,607	-	-	-	6,225	12,326	
13,840	48,890	16,707	-	165,201	154,171	54,757	725,388	
564	30	233	-	-	-	-	7,686	
<b>26,619</b>	<b>72,739</b>	<b>23,319</b>	<b>1,311</b>	<b>165,201</b>	<b>154,569</b>	<b>81,138</b>	<b>893,663</b>	
31,367	67,051	20,042	69,344	-	-	74,558	381,724	
1,842	1,880	-	-	-	-	4,551	27,226	
2,061	1,500	-	9,980	-	-	2,376	16,781	
2,130	-	-	-	-	-	-	4,370	
-	-	2,092	-	-	-	-	2,092	
16,110	13,025	(5,509)	(2,460)	(142,177)	(16,169)	13,662	(10,466)	
<b>\$ 53,510</b>	<b>\$ 83,456</b>	<b>\$ 16,625</b>	<b>\$ 76,864</b>	<b>\$ (142,177)</b>	<b>\$ (16,169)</b>	<b>\$ 95,147</b>	<b>\$ 421,727</b>	

**STATE OF ALABAMA**

**COMBINING STATEMENT OF ACTIVITIES**

**Nonmajor Component Units**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	Higher Education	Drinking Water Finance	Alabama Agricultural and Mechanical Authority	Alabama State University	Jacksonville State University
Expenses	\$ 4,769	\$ 5,412	\$ 90,377	\$ 81,782	\$ 72,558
<b>Program Revenues</b>					
Charges for Services	3,487	2,523	20,840	27,253	29,568
Operating Grants and Contributions	-	8,335	34,888	25,997	16,457
Capital Grants and Contributions	-	-	-	689	-
<b>Total Program Revenues</b>	<b>3,487</b>	<b>10,858</b>	<b>55,728</b>	<b>53,939</b>	<b>46,025</b>
<b>Net (Expense) Revenue</b>	<b>(1,282)</b>	<b>5,446</b>	<b>(34,649)</b>	<b>(27,843)</b>	<b>(26,533)</b>
<b>General Revenues:</b>					
Taxes:					
Utility Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	1,659	3,256	2,770	54	(131)
Miscellaneous	-	6,199	21	20	-
Contributions to Permanent Funds	-	-	3,730	-	-
Payments from State of Alabama	-	-	31,042	28,889	28,319
<b>Total General Revenues, Special Items, and Transfers</b>	<b>1,659</b>	<b>9,455</b>	<b>37,563</b>	<b>28,963</b>	<b>28,188</b>
<b>Change in Net Assets</b>	<b>377</b>	<b>14,901</b>	<b>2,914</b>	<b>1,120</b>	<b>1,655</b>
Net Assets, October 1, 2001, as Restated	11,140	39,095	56,174	60,151	66,944
<b>Net Assets, September 30, 2002</b>	<b>\$ 11,517</b>	<b>\$ 53,996</b>	<b>\$ 59,088</b>	<b>\$ 61,271</b>	<b>\$ 68,599</b>

University of North Alabama	Troy State University	Space Science Exhibit Commission	Historical Commission	Incentives Finance Authority	Twenty-first Century Authority	Other Nonmajor Component Units	Totals
\$ 47,264	\$ 125,706	\$ 23,904	\$ 8,990	\$ 50,237	\$ 133,251	\$ 155,342	\$ 799,592
20,081	73,417	22,992	784	28	121,568	48,653	371,194
6,837	18,542	-	1,391	98	-	33,448	145,993
1,999	1,092	1,054	-	118	-	5,825	10,777
<b>28,917</b>	<b>93,051</b>	<b>24,046</b>	<b>2,175</b>	<b>244</b>	<b>121,568</b>	<b>87,926</b>	<b>527,964</b>
(18,347)	(32,655)	142	(6,815)	(49,993)	(11,683)	(67,416)	(271,628)
-	-	-	-	-	-	1,221	1,221
-	958	-	-	-	-	451	1,409
663	116	33	(1,426)	815	1,404	1,019	10,232
-	2	-	4	15,036	-	5,985	27,267
64	-	-	-	-	-	-	3,794
<b>20,922</b>	<b>34,968</b>	<b>356</b>	<b>4,959</b>	<b>4,350</b>	<b>-</b>	<b>66,451</b>	<b>220,256</b>
<b>21,649</b>	<b>36,044</b>	<b>389</b>	<b>3,537</b>	<b>20,201</b>	<b>1,404</b>	<b>75,127</b>	<b>264,179</b>
<b>3,302</b>	<b>3,389</b>	<b>531</b>	<b>(3,278)</b>	<b>(29,792)</b>	<b>(10,279)</b>	<b>7,711</b>	<b>(7,449)</b>
50,208	80,067	16,094	80,142	(112,385)	(5,890)	87,436	429,176
<b>\$ 53,510</b>	<b>\$ 83,456</b>	<b>\$ 16,625</b>	<b>\$ 76,864</b>	<b>\$ (142,177)</b>	<b>\$ (16,169)</b>	<b>\$ 95,147</b>	<b>\$ 421,727</b>

**STATE OF ALABAMA**

**COMBINING STATEMENT OF NET ASSETS**

**Other Nonmajor Component Units**

**September 30, 2002**

(Amounts in Thousands)

	U.S.S.		University		
	Supercomputer Authority	Alabama	Historic Ironworks Commission	of West Alabama	University of Montevallo
		Battleship Commission	Commission		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,176	\$ 1,522	\$ 299	\$ 3,367	\$ 15,599
Investments	-	1,268	-	1,065	11,921
Accounts Receivable	-	-	-	2,433	2,277
Interest and Dividends Receivable	-	-	-	-	21
Mortgages, Notes, and Loans Receivable	-	-	-	-	607
Inventory	-	248	18	561	-
Other Assets	-	12	-	1,342	2,974
Capital Assets, Net of Accumulated Depreciation	634	9,334	1,808	25,508	19,032
Capital Assets Not Being Depreciated	174	255	832	493	1,630
<b>TOTAL ASSETS</b>	<b>2,984</b>	<b>12,639</b>	<b>2,957</b>	<b>34,769</b>	<b>54,061</b>
<b>LIABILITIES</b>					
Warrants Payable	6	-	-	-	-
Accounts Payable	9	45	27	11	2,147
Salaries Payable	-	-	5	-	-
Due to Primary Government	-	-	-	-	-
Due to Other Governments	4	6	-	-	714
Claims Payable	-	-	-	-	-
Deferred Revenue	-	-	-	2,955	5,134
Amounts Held in Custody for Others	-	-	-	500	234
Compensated Absences	117	-	-	611	427
Notes and Mortgages Payable	-	3,975	-	-	-
Revenue Bonds Payable	-	-	40	3,840	16,055
<b>TOTAL LIABILITIES</b>	<b>136</b>	<b>4,026</b>	<b>72</b>	<b>7,917</b>	<b>24,711</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt	809	9,589	2,601	22,161	13,507
Restricted for:					
Permanent Trust - Expendable	-	-	-	-	2,489
Permanent Trust - Non-expendable	-	-	-	420	1,951
Unrestricted	2,039	(976)	284	4,271	11,403
<b>TOTAL NET ASSETS</b>	<b>\$ 2,848</b>	<b>\$ 8,613</b>	<b>\$ 2,885</b>	<b>\$ 26,852</b>	<b>\$ 29,350</b>

Alabama Institute for the Deaf and Blind		Marine Environmental Sciences Consortium		Tennessee Valley Exhibit Commission		State Industrial Development Authority		Revolving Loan Fund Authority		Music Hall of Fame		Miscellaneous Component Units		Totals
\$ 7,894	\$ 730	\$ 504	\$ 3,668	\$ -	\$ 3	\$ 6,430	\$ 42,192							
544	-	-	-	-	-	5	5,101							19,904
5,909	1,170	-	-	-	-	8	-							11,797
-	-	-	-	-	-	-	-							21
-	-	-	-	-	-	-	-							607
4,424	133	-	-	-	-	39	-							5,423
165	-	-	-	-	-	-	-							4,493
17,857	5,679	3,391	-	-	-	1,163	1,224							85,630
1,900	659	114	-	-	-	161	-							6,218
<b>38,693</b>	<b>8,371</b>	<b>4,009</b>	<b>3,668</b>	<b>0</b>	<b>1,379</b>	<b>12,755</b>	<b>176,285</b>							
-	-	-	-	-	-	-	2							8
2,260	49	1	4	-	3	27	4,583							
-	-	-	-	-	-	81	86							
-	-	-	57	-	-	9	66							
-	-	-	-	-	-	-	724							
-	-	-	-	-	-	2,758	2,758							
194	-	-	-	-	-	-	-							8,283
192	-	-	-	-	-	-	-							926
1,132	222	3	-	-	24	186	2,722							
2,131	-	-	-	-	119	-	6,225							
-	1,402	2,605	19,330	11,485	-	-	54,757							
<b>5,909</b>	<b>1,673</b>	<b>2,609</b>	<b>19,391</b>	<b>11,485</b>	<b>146</b>	<b>3,063</b>	<b>81,138</b>							
17,626	4,936	900	-	-	1,205	1,224	74,558							
1,112	950	-	-	-	-	-	4,551							
5	-	-	-	-	-	-	2,376							
14,041	812	500	(15,723)	(11,485)	28	8,468	13,662							
<b>\$ 32,784</b>	<b>\$ 6,698</b>	<b>\$ 1,400</b>	<b>\$ (15,723)</b>	<b>\$ (11,485)</b>	<b>\$ 1,233</b>	<b>\$ 9,692</b>	<b>\$ 95,147</b>							

**STATE OF ALABAMA**

**COMBINING STATEMENT OF ACTIVITIES**

**Other Nonmajor Component Units**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	U.S.S.		University		
	Alabama	Battleship	Historic	of	University
	Supercomputer	Commission	Ironworks	West	of
	Authority	Commission	Commission	Alabama	Montevallo
<b>Expenses</b>	\$ 4,795	\$ 3,426	\$ 1,701	\$ 29,141	\$ 40,273
<b>Program Revenues</b>					
Charges for Services	1,021	3,802	1,135	3,331	16,743
Operating Grants and Contributions	-	250	72	11,039	11,008
Capital Grants and Contributions	-	1,050	-	2,056	879
<b>Total Program Revenues</b>	<b>1,021</b>	<b>5,102</b>	<b>1,207</b>	<b>16,426</b>	<b>28,630</b>
<b>Net (Expense) Revenue</b>	<b>(3,774)</b>	<b>1,676</b>	<b>(494)</b>	<b>(12,715)</b>	<b>(11,643)</b>
<b>General Revenues:</b>					
Taxes:					
Utility Taxes	-	-	-	-	-
Grants and Contributions Not Restricted to Specific Programs	-	-	-	-	-
Investment Earnings	-	59	4	47	302
Miscellaneous	-	-	-	103	-
Payments from State of Alabama	4,682	-	286	9,172	14,785
<b>Total General Revenues, Special Items, and Transfers</b>	<b>4,682</b>	<b>59</b>	<b>290</b>	<b>9,322</b>	<b>15,087</b>
<b>Change in Net Assets</b>	<b>908</b>	<b>1,735</b>	<b>(204)</b>	<b>(3,393)</b>	<b>3,444</b>
Net Assets, October 1, 2001, as Restated	1,940	6,878	3,089	30,245	25,906
<b>Net Assets, September 30, 2002</b>	<b>\$ 2,848</b>	<b>\$ 8,613</b>	<b>\$ 2,885</b>	<b>\$ 26,852</b>	<b>\$ 29,350</b>

Alabama Institute for the Deaf and Blind	Marine Environmental Sciences Consortium	Tennessee Valley Exhibit Commission	State Industrial Development Authority	Revolving Loan Fund Authority	Music Hall of Fame	Miscellaneous Component	Units	Totals
\$ 57,629	\$ 6,874	\$ 323	\$ 1,445	\$ 951	\$ 693		\$ 8,091	\$ 155,342
16,247	2,347	22	139	-	118	3,748	48,653	
7,951	2,023	-	-	-	6	1,099	33,448	
1,860	-	-	-	-	-	(20)	5,825	
<b>26,058</b>	<b>4,370</b>	<b>22</b>	<b>139</b>	<b>0</b>	<b>124</b>	<b>4,827</b>	<b>87,926</b>	
(31,571)	(2,504)	(301)	(1,306)	(951)	(569)	(3,264)	(67,416)	
-	-	-	-	1,221	-	-	1,221	
448	-	-	-	-	-	3	451	
105	20	-	2	-	1	479	1,019	
108	-	500	5,265	-	-	9	5,985	
<b>34,055</b>	<b>2,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>328</b>	<b>528</b>	<b>66,451</b>	
<b>34,716</b>	<b>2,635</b>	<b>500</b>	<b>5,267</b>	<b>1,221</b>	<b>329</b>	<b>1,019</b>	<b>75,127</b>	
<b>3,145</b>	<b>131</b>	<b>199</b>	<b>3,961</b>	<b>270</b>	<b>(240)</b>	<b>(2,245)</b>	<b>7,711</b>	
29,639	6,567	1,201	(19,684)	(11,755)	1,473	11,937	87,436	
<b>\$ 32,784</b>	<b>\$ 6,698</b>	<b>\$ 1,400</b>	<b>\$ (15,723)</b>	<b>\$ (11,485)</b>	<b>\$ 1,233</b>	<b>\$ 9,692</b>	<b>\$ 95,147</b>	



## **Capital Assets Used in Governmental Fund Operations**

*Capital Assets Used in Governmental Fund Operations accounts for capital assets used in the operation of governmental funds.*

# STATE OF ALABAMA

## SCHEDULE OF GOVERNMENTAL CAPITAL ASSETS By Function and Activity, Excluding Internal Service Funds

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Land	Buildings	Equipment	Historical Exhibits	Construction In Progress - Infrastructure
<b>Economic Development and Regulation</b>					
Agricultural	\$ 422	\$ 7,658	\$ 1,744	\$ -	\$ -
Forestry Commission	1,658	9,757	24,977	-	-
Geological	-	3,573	1,948	-	-
Other	225	367	2,714	-	-
<b>Total Economic Development and Regulation</b>	<b>2,305</b>	<b>21,355</b>	<b>31,383</b>	<b>0</b>	<b>0</b>
<b>Education and Cultural Resources</b>					
Education Department	-	-	2,972	-	-
Educational Television Commission	344	1,204	19,125	-	-
Public Library Service	138	1,695	-	-	-
Youth Services	1,057	4,316	265	-	-
Other	617	421	2,061	2,326	-
<b>Total Education and Cultural Resources</b>	<b>2,156</b>	<b>7,636</b>	<b>24,423</b>	<b>2,326</b>	<b>0</b>
<b>Natural Resources and Recreation</b>					
Conservation and Natural Resources	28,607	28,451	29,066	19	-
Other	-	-	174	-	-
<b>Total Natural Resources and Recreation</b>	<b>28,607</b>	<b>28,451</b>	<b>29,240</b>	<b>19</b>	<b>0</b>
<b>Health - Physical and Mental</b>					
Environmental Management	-	12,244	8,071	-	-
Medicaid Agency	-	-	1,290	-	-
Public Health	3,274	39,877	12,639	-	-
Other	-	-	70	-	-
<b>Total Health - Physical and Mental</b>	<b>3,274</b>	<b>52,121</b>	<b>22,070</b>	<b>0</b>	<b>0</b>
<b>Social Services</b>					
Human Resources	-	34,004	8,694	-	-
Industrial Relations	1,120	3,537	10,285	-	-
Rehabilitation Services	64	620	3,828	-	-
Veterans Affairs	609	26,364	412	-	-
Other	-	-	803	-	-
<b>Total Social Services</b>	<b>1,793</b>	<b>64,525</b>	<b>24,022</b>	<b>0</b>	<b>0</b>
<b>Protection of Persons and Property</b>					
Agriculture and Industries	-	8,243	5,605	-	-
Corrections	5,614	219,869	16,058	-	-
Emergency Management	90	2,855	1,251	-	-
Forensic Sciences	76	2,883	9,158	-	-
Judicial	3,264	38,578	135	-	-
Military	4,998	171,622	463	-	-
Professional and Occupational Boards	310	1,035	1,588	-	-
Public Safety	3,735	11,803	28,950	-	-
Youth Services	5,380	21,964	1,346	-	-
Other	146	471	5,640	-	-
<b>Total Protection of Persons and Property</b>	<b>23,613</b>	<b>479,323</b>	<b>70,194</b>	<b>0</b>	<b>0</b>
<b>Transportation</b>					
Transportation Department	3,734	74,466	165,116	-	3,263,759
<b>Total Transportation</b>	<b>3,734</b>	<b>74,466</b>	<b>165,116</b>	<b>0</b>	<b>3,263,759</b>
<b>General Government</b>					
Executive	47,716	3,346	8,210	-	-
Judicial	-	-	5,107	390	-
Legislative	-	-	1,787	-	-
<b>Total General Government</b>	<b>47,716</b>	<b>3,346</b>	<b>15,104</b>	<b>390</b>	<b>0</b>
<b>Total Governmental Capital Assets</b>	<b>\$ 113,198</b>	<b>\$ 731,223</b>	<b>\$ 381,552</b>	<b>\$ 2,735</b>	<b>\$ 3,263,759</b>

Infrastructure	Other Capital Assets	Totals
\$ -	\$ -	\$ 9,824
-	-	36,392
-	-	5,521
-	-	3,306
<b>0</b>	<b>0</b>	<b>55,043</b>
-	-	20,673
-	-	2,972
-	7,253	9,086
-	-	5,638
-	-	5,425
<b>0</b>	<b>7,253</b>	<b>43,794</b>
-	4,218	90,361
-	-	174
<b>0</b>	<b>4,218</b>	<b>90,535</b>
-	-	20,315
-	-	1,290
-	-	55,790
-	-	70
<b>0</b>	<b>0</b>	<b>77,465</b>
-	-	42,698
-	-	14,942
-	-	4,512
-	-	27,385
-	-	803
<b>0</b>	<b>0</b>	<b>90,340</b>
-	-	13,848
-	-	241,541
-	-	4,196
-	16	12,133
-	-	41,977
-	-	177,083
-	-	2,933
-	-	44,488
-	-	28,690
-	231	6,488
<b>0</b>	<b>247</b>	<b>573,377</b>
<b>368,785</b>	<b>-</b>	<b>3,875,860</b>
<b>368,785</b>	<b>0</b>	<b>3,875,860</b>
-	-	59,272
-	3,656	9,153
-	-	1,787
<b>0</b>	<b>3,656</b>	<b>70,212</b>
<b>\$ 368,785</b>	<b>\$ 15,374</b>	<b>\$ 4,876,626</b>



## **Supplemental Statements and Schedules**

*Supplemental Statements and Schedules This section presents schedules and statements which bring together information spread throughout the statements, presents information in greater detail, or presents information that demonstrates legal compliance.*

# STATE OF ALABAMA

## SCHEDULE OF FEDERAL REVENUES BY AGENCY All Funds and Component Units Except Higher Education

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

<b>Agency</b>	<b>Amount</b>
Administrative Office of Courts	\$ 285
Agriculture and Industries	3,287
Attorney General	784
Child Abuse and Neglect Prevention	744
Children's Affairs	836
Commission On Higher Education	1,635
Conservation and Natural Resources	13,360
Corrections	762
Council on the Arts	583
Crime Victims Compensation Commission	1,096
Criminal Justice Information Center	771
Drinking Water Finance Authority	8,335
Economic and Community Affairs	176,457
Education	604,842
Emergency Management	27,333
Environmental Management	17,730
Farmers' Market Authority	700
Finance Special Funds	2,296
Forensic Sciences	996
Forestry Commission	4,973
Geological Survey	986
Governor's Office on Disability	19
Historical Commission	860
Human Resources	768,641
Indian Affairs Commission	5
Industrial Relations	245,990
Labor	171
Manufactured Housing Commission	191
Medicaid	2,475,707
Mental Health and Retardation	43,675
Military	15,929
Office of National and Community Service	1,229
Oil and Gas Board	50
Pardons and Paroles	27
Public Health	237,784
Public Library Service	2,379
Public Safety	3,268
Public Service Commission	445
Rehabilitation Services	64,963
Senior Services	21,935
Soil and Water Conservation Commission	36
State Port Authority	815
Surface Mining Commission	1,106
Transportation	803,619
Veterans Affairs	6,857
Water Pollution Control Authority	7,236
<b>Total Federal Revenues</b>	<b><u>\$ 5,571,728</u></b>



# STATE OF ALABAMA

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## SCHEDULE OF REVENUES BY PRINCIPAL SOURCES

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2002

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(Amounts in Thousands)

### TAXES

General Sales Tax (4% on gross retail sale of merchandise)	1,551,186	11.6%
General Use Tax	188,815	1.4%
Income Tax (2% to 5% personal income, 5% net corporate income)	2,191,596	16.4%
Property Tax Relief (represents portion of Income Tax used to offset property taxes lost in certain funds due to homestead exemptions)	31,127	0.2%
General Property Tax (6 1/2 mills for state on varying rates not over 30%)	192,508	1.4%
Gasoline Taxes (.16 per gallon; .03 aviation; .01 jet)	392,392	2.9%
Utilities Tax (4% of gross receipts)	315,158	2.4%
Insurance Premium Tax (gross premium tax for privilege of operating in state)	216,110	1.6%
Liquor & Wine Tax (totals 46%, collected by ABC stores)	77,765	0.6%
Tobacco & Cigarette Taxes (8.25 mills per cigarette; varying amounts on cigars, smoking tobacco, snuff, etc.)	62,586	0.5%
Corporation Taxes (franchise, \$3.00 per \$1,000 capital; permit, entrance fees for filing)	14,464	0.1%
State Beer Tax (.05 per 12 oz.)	54,937	0.4%
Public Utilities (2.2%)	89,352	0.7%
Motor Fuel Tax (diesel .12 per gallon)	115,712	0.9%
Tennessee Valley Authority (payments in-lieu of all state taxes)	77,680	0.6%
Leasing / Renting Tangible Personal Property - (4% most items, 1.5% vehicles, 2% garments)	64,429	0.5%
Production Privilege Tax (Oil & Gas Severance at amounts varying 2-8%)	53,210	0.4%
Financial Institutions Excise Tax (6% of net income of banks and other financial institutions)	11,447	0.1%
Documentary Filing Taxes (auto title, deed, mortgage, securities, etc)	60,053	0.4%
Coal Severance Tax (0.335 per ton)	6,566	0.0%
Forestry Severance Tax	5,872	0.0%
Inheritance Tax (amount of federal credit)	79,662	0.6%
Contractors Gross Receipts Tax	31,086	0.2%
Lodging Tax (4% or 5% of charge)	30,682	0.2%
Hydroelectric Companies (tax on 2/5 mill per kilowatt hour and 2.2% per dollar gross receipts)	1,170	0.0%
Lubricating Oil Tax (.06 per gallon)	1,839	0.0%
Pari-mutuel Betting (1 or 2% on pari-mutuel pools)	3,594	0.0%
Court Cost Taxes	26,021	0.2%
Medicaid Taxes	36,877	0.3%
Cellular Telephones (4%)	51,102	0.4%
Miscellaneous Taxes	7,359	0.1%
<b>TOTAL TAXES</b>	<b>6,042,357</b>	<b>45.2%</b>

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**LICENSES, PERMITS AND FEES**

Conservation Licenses (fishing, hunting, boat registration, etc)	19,176	0.1%
Drivers Licenses & Fees	44,020	0.3%
Petroleum Products Inspection Fees	69,417	0.5%
Agricultural License, Permits, Fees	7,504	0.1%
Wholesale Oil Company License	3,417	0.0%
Motor Vehicle License (\$23.00 on auto; up to \$845.00 on trucks and up to \$210.00 on buses)	134,688	1.0%
Privilege License (fees for privilege of operating stores, factories, professions, businesses, etc)	51,966	0.4%
Court Fees	47,621	0.4%
Alcoholic Beverage Licenses	2,495	0.0%
Insurance Corporation Licenses and Fees	1,410	0.0%
Miscellaneous License, Permits, Fees	<u>83,619</u>	<u>0.6%</u>
<b>TOTAL LICENSES, PERMITS, FEES</b>	<b>465,333</b>	<b>3.5%</b>

**FINES AND FORFEITS**

Court Fines & Forfeits	24,321	0.2%
Tobacco Settlement	121,568	0.9%
Miscellaneous Fines and Forfeits	<u>8,690</u>	<u>0.1%</u>
<b>TOTAL FINES AND FORFEITS</b>	<b>154,579</b>	<b>1.2%</b>

**INVESTMENT INCOME****186,696****1.4%****FEDERAL REVENUES****5,117,476****38.2%****OTHER REVENUES**

Rents and Royalties	124,079	0.9%
Reimbursements	33,635	0.3%
Sales of Property or Services	31,026	0.2%
Contributions	5,662	0.0%
Intragovernmental Services	616,367	4.6%
Local Revenues	29,933	0.2%
Other Revenues	<u>574,100</u>	<u>4.3%</u>
<b>TOTAL OTHER REVENUES</b>	<b>1,414,802</b>	<b>10.6%</b>

**TOTAL REVENUES****\$13,381,243****100.1%**

**STATE OF ALABAMA**

**SCHEDULE OF REVENUES BY PRINCIPAL SOURCES AND DISTRIBUTIONS OF REVENUES**

Governmental Funds in State Treasury

Cash Basis, Transfers Excluded

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	Total Revenues	Administrative Expense	Net Revenues	Human Resources Funds	General Fund	Public School Fund	Education Trust Fund	Conservation Funds
<b>TAXES</b>								
General Sales Tax	\$ 1,551,186	\$ 30,298	\$ 1,520,888	\$ 22,768	\$ 94,698	\$ -	\$ 1,339,629	\$ 6,742
General Use Tax	188,815	2,628	186,187	-	945	-	185,044	198
Income Tax	2,191,596	28,521	2,163,075	-	-	-	2,163,075	-
Property Tax Relief	31,127	-	31,127	4,597	12,738	13,792	-	-
General Property Tax	192,508	941	191,567	28,639	73,581	89,347	-	-
Gasoline Taxes	392,392	9,875	382,517	-	-	-	-	3,517
Utilities Tax	315,158	5,874	309,284	-	-	-	294,684	-
Insurance Premium Tax	216,110	-	216,110	-	179,147	-	30,993	-
Liquor & Wine Tax	77,765	-	77,765	27,694	38,427	-	-	-
Tobacco & Cigarette Taxes	62,586	72	62,514	3,661	42,924	-	-	-
Corporation Taxes	14,464	-	14,464	95	13,864	-	-	-
State Beer Tax	54,937	-	54,937	10,987	16,481	-	21,975	-
Public Utilities	89,352	-	89,352	-	13,473	-	-	-
Motor Fuel Tax	115,712	2,013	113,699	-	-	-	-	-
Tennessee Valley Authority	77,680	-	77,680	-	-	-	-	-
Leasing/Renting Personal Property	64,429	-	64,429	-	64,429	-	-	-
Production Privilege Tax	53,210	-	53,210	-	41,244	-	-	-
Financial Institutions Excise Tax	11,447	458	10,989	-	4,024	-	-	-
Documentary Filing Taxes	60,053	-	60,053	-	60,053	-	-	-
Coal Severance Tax	6,566	-	6,566	-	-	-	-	-
Forestry Severance Tax	5,872	169	5,703	-	-	-	-	-
Inheritance Tax	79,662	-	79,662	-	79,662	-	-	-
Contractors Gross Receipts Tax	31,086	60	31,026	4,638	-	-	-	-
Lodgings Tax	30,682	25	30,657	-	22,167	-	-	-
Hydroelectric Companies	1,170	4	1,166	-	-	-	490	-
Lubricating Oil Tax	1,839	7	1,832	-	643	-	-	-
Pari-mutuel Betting	3,594	-	3,594	-	3,594	-	-	-
Court Cost Taxes	26,021	-	26,021	-	7,929	-	-	-
Medicaid Provider Taxes	36,877	93	36,784	-	-	-	-	-
Cellular Telephone Tax	51,102	-	51,102	-	36,618	-	13,263	-
Miscellaneous Taxes	7,359	-	7,359	2	3,660	5	-	-
<b>TOTAL TAXES</b>	<b>6,042,357</b>	<b>81,038</b>	<b>5,961,319</b>	<b>103,081</b>	<b>810,301</b>	<b>103,144</b>	<b>4,049,153</b>	<b>10,457</b>
<b>LICENSES, PERMITS AND FEES</b>								
Conservation Licenses	19,176	-	19,176	-	-	-	-	18,668
Drivers Licenses & Fees	44,020	-	44,020	-	30,869	-	-	-
Petroleum Products Inspection Fees	69,417	-	69,417	-	-	-	-	-
Agricultural License, Permits, Fees	7,504	-	7,504	-	-	-	-	-
Wholesale Oil Company License	3,417	-	3,417	-	3,417	-	-	-
Motor Vehicle License	134,688	295	134,393	-	37,580	-	-	-
Privilege License	51,966	999	50,967	-	8,369	-	478	-
Court Fees	47,621	-	47,621	-	33,532	-	-	-
Alcoholic Beverage Licenses	2,495	-	2,495	-	2,495	-	-	-
Insurance Corp Licenses and Fees	1,410	-	1,410	-	676	-	-	-
Miscellaneous License, Permits, Fees	83,619	86	83,533	345	4,330	-	1	1
<b>TOTAL LICENSES, PERMITS, FEES</b>	<b>465,333</b>	<b>1,380</b>	<b>463,953</b>	<b>345</b>	<b>121,268</b>	<b>0</b>	<b>479</b>	<b>18,669</b>
<b>FINES AND FORFEITS</b>								
Court Fines & Forfeits	24,321	-	24,321	-	17,167	-	-	-
Tobacco Settlement	121,568	-	121,568	-	-	-	-	-
Miscellaneous Fines and Forfeits	8,690	2	8,688	-	1,030	-	-	663
<b>TOTAL FINES AND FORFEITS</b>	<b>154,579</b>	<b>2</b>	<b>154,577</b>	<b>0</b>	<b>18,197</b>	<b>-</b>	<b>-</b>	<b>663</b>
<b>INVESTMENT INCOME</b>								
<b>FEDERAL REVENUES</b>	<b>186,696</b>	<b>-</b>	<b>186,696</b>	<b>80</b>	<b>37,268</b>	<b>41</b>	<b>-</b>	<b>781</b>
Other Revenues	5,117,476	-	5,117,476	763,954	-	-	-	13,418
<b>TOTAL REVENUES</b>	<b>1,414,802</b>	<b>2,852</b>	<b>1,411,950</b>	<b>86,847</b>	<b>1,391</b>	<b>218</b>	<b>653</b>	<b>30,834</b>

Distributed To Local Governments	Debt Service Funds	Medicaid	Transportation Department	Health General & Mental	Education Department	Economic & Community Affairs	Other	Distribution of Other Amounts
\$ 3,404	\$ 53,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
170,295	-	-	208,032	-	-	-	673	Airport Develop Fund
-	-	-	-	14,600	-	-	-	
-	-	-	-	4,525	-	-	1,445	Insurance Dept
-	734	-	-	10,910	-	-	-	
-	12,149	-	-	119	-	-	3,661	State Parks
39	-	-	-	-	-	-	466	Secretary of State
5,494	-	-	-	-	-	-	-	
-	-	-	-	75,879	-	-	-	
-	-	-	113,699	-	-	-	-	
62,144	15,536	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
11,966	-	-	-	-	-	-	-	
6,965	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
3,915	-	-	-	-	-	-	2,651	State Port Authority
-	-	-	-	-	-	-	5,703	Forestry
-	-	-	-	-	-	-	-	
-	-	-	-	26,388	-	-	-	
1,101	-	-	-	-	-	-	7,389	Tourism & Travel
-	-	-	-	676	-	-	-	
654	-	-	535	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	2,222	-	15,870	Fair Trial Fd 13.9M
-	-	36,784	-	-	-	-	-	
-	1,221	-	-	-	-	-	-	
39	-	-	-	-	-	-	3,582	Industrial Relations 3.5M
<b>266,016</b>	<b>83,287</b>	<b>36,784</b>	<b>322,337</b>	<b>133,097</b>	<b>2,222</b>	<b>0</b>	<b>41,440</b>	
-	-	-	-	-	-	-	508	
-	-	-	-	-	-	-	13,151	Public Safety
11,487	-	-	55,830	-	-	-	2,100	Agriculture
-	-	-	-	-	-	-	7,504	Agriculture
-	-	-	-	-	-	-	-	
18,349	-	-	77,256	-	-	-	1,208	
-	-	-	3,268	2,092	1,440	-	35,320	
-	-	-	-	130	-	-	13,959	AOC 6.1M
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	734	Insurance Dept
-	-	-	1,458	19,486	-	-	57,912	ADEM 23.4M; PSC 13.0M
<b>29,836</b>	<b>0</b>	<b>0</b>	<b>137,812</b>	<b>21,708</b>	<b>1,440</b>	<b>0</b>	<b>132,396</b>	
-	-	-	-	-	-	1,246	5,908	
-	-	-	-	-	-	-	121,568	21st Century Fund
1	-	543	-	-	1,000	-	5,451	
<b>1</b>	<b>0</b>	<b>543</b>	<b>0</b>	<b>-</b>	<b>1,000</b>	<b>1,246</b>	<b>132,927</b>	
-	3,248	1,161	1,286	36	-	1,285	141,510	Ala Trust 100.7M
2,296	-	2,303,472	780,441	268,016	563,623	164,314	257,942	Rehab 64.9; EMA 27.3; DIR 54.5M
-	3,974	626,422	136,869	349,840	6,279	490	168,133	
<b>\$ 298,149</b>	<b>\$ 90,509</b>	<b>\$ 2,968,382</b>	<b>\$ 1,378,745</b>	<b>\$ 772,697</b>	<b>\$ 574,564</b>	<b>\$ 167,335</b>	<b>\$ 874,348</b>	

**STATE OF ALABAMA**

**DETAIL SCHEDELE OF BUDGET AND ACTUAL EXPENDITURES**  
**All Agencies and Appropriations, Non-GAAP, Budget Basis**

**For the Fiscal Year Ended September 30, 2002**

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES:</b>			
<b><u>Administrative Office of Courts</u></b>			
Administrative Services	4,387	4,387	-
Alabama Sentencing Commission	277	277	-
Court Equipment/Security	889	889	-
Court Operations	110,036	110,036	-
DUI Court Referral	64	64	-
Judicial Building Operations	3,846	3,846	-
Juvenile Probation Officer Services	3,446	3,446	-
<b>TOTAL Administrative Office of Courts</b>	<b>122,945</b>	<b>122,945</b>	<b>-</b>
<b><u>Agriculture and Industries</u></b>			
Administrative Services	3,754	3,754	-
Agricultural Development Services	1,474	1,474	-
Agricultural Inspection Services	5,303	5,303	-
Capital Outlay	150	47	103
Lab Analysis and Disease Control	3,222	3,222	-
<b>TOTAL Agriculture and Industries</b>	<b>13,903</b>	<b>13,800</b>	<b>103</b>
<b><u>Attorney General</u></b>			
Fair Marketing Practices: Consumer Protection	728	728	-
Legal Advice and Legal Service: Attorney General - Operations	8,852	8,852	-
Legal Advice and Legal Service: Consumer Utility Fund	251	251	-
<b>TOTAL Attorney General</b>	<b>9,831</b>	<b>9,831</b>	<b>-</b>
<b><u>Auditor</u></b>			
Fiscal Management	956	931	25
<b>TOTAL Auditor</b>	<b>956</b>	<b>931</b>	<b>25</b>
<b><u>Commission on Higher Education</u></b>			
Alabama Guaranteed Student Loan	-	-	-
Planning and Coordination Services	-	-	-
Student Financial Aid	-	-	-
Support - Other Educational Activities	-	-	-
Support of State Universities	-	-	-
<b>TOTAL Commission on Higher Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Corrections</u></b>			
Administration Service and Logistical Supply	11,168	11,155	13
Capital Outlay	-	-	-
Correctional Industries	-	-	-
Institutional Service Corrections	186,223	186,221	2
<b>TOTAL Corrections</b>	<b>197,391</b>	<b>197,376</b>	<b>15</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	2,980	1,261	1,719	7,367	5,648	1,719
-	-	-	-	-	-	277	277	-
-	-	-	-	-	-	889	889	-
-	-	-	12,320	9,479	2,841	122,356	119,515	2,841
-	-	-	-	-	-	64	64	-
-	-	-	-	-	-	3,846	3,846	-
-	-	-	15,543	14,419	1,124	18,989	17,865	1,124
-	-	-	30,843	25,159	5,684	153,788	148,104	5,684
-	-	-	1,750	1,291	459	5,504	5,045	459
-	-	-	1,761	958	803	3,235	2,432	803
-	-	-	8,762	7,129	1,633	14,065	12,432	1,633
-	-	-	-	-	-	150	47	103
-	-	-	2,866	2,447	419	6,088	5,669	419
-	-	-	15,139	11,825	3,314	29,042	25,625	3,417
-	-	-	-	-	-	728	728	-
-	-	-	4,371	2,626	1,745	13,223	11,478	1,745
-	-	-	-	-	-	251	251	-
-	-	-	4,371	2,626	1,745	14,202	12,457	1,745
-	-	-	-	-	-	956	931	25
-	-	-	-	-	-	956	931	25
-	-	-	1,320	721	599	1,320	721	599
2,483	2,310	173	-	-	-	2,483	2,310	173
7,398	7,233	165	2,156	1,074	1,082	9,554	8,307	1,247
2,667	2,660	7	1,624	1,116	508	4,291	3,776	515
500	500	-	-	-	-	500	500	-
13,048	12,703	345	5,100	2,911	2,189	18,148	15,614	2,534
-	-	-	-	-	-	11,168	11,155	13
-	-	-	2,090	788	1,302	2,090	788	1,302
-	-	-	21,896	16,687	5,209	21,896	16,687	5,209
-	-	-	34,229	33,528	701	220,452	219,749	703
-	-	-	58,215	51,003	7,212	255,606	248,379	7,227

Continued on next page...

**STATE OF ALABAMA**

**DETAIL SCHEDEOL OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Economic and Community Affairs</b>			
Administrative Support Service	146	134	12
Capital Outlay	19	19	-
Energy Management	897	892	5
Law Enforcement Planning and Development	443	439	4
PALS/Adopt-A-Mile	142	142	-
Planning	17,488	16,248	1,240
Skills Enhancement/Employment Opportunities	2,448	2,394	54
Surplus Property	565	549	16
Water Resources	1,609	1,608	1
<b>TOTAL Economic and Community Affairs</b>	<b>23,757</b>	<b>22,425</b>	<b>1,332</b>
<b>Education</b>			
Administrative Services	-	-	-
Alabama Science in Motion	-	-	-
Alabama Young Farmers	-	-	-
At-Risk Program	-	-	-
Board of Adjustment	-	-	-
Capital Outlay	-	-	-
Disability Determination for Social Security	-	-	-
Education Specialist for Literacy	-	-	-
Endowment Interest Program-PSF	-	-	-
Financial Assistance	-	-	-
Foundation Program	-	-	-
Hold Harmless Program-PSF	-	-	-
Non-State Special Education Schools	-	-	-
Salary Matrix Adjustment	-	-	-
School Nurses Program	-	-	-
Support - Other Educational Activities	-	-	-
Transportation Program	-	-	-
<b>TOTAL Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Emergency Management Agency</b>			
Readiness and Recovery	1,302	1,022	280
Readiness and Recovery-FEMA	4,516	1,660	2,856
<b>TOTAL Emergency Management Agency</b>	<b>5,818</b>	<b>2,682</b>	<b>3,136</b>
<b>Examiners of Public Accounts</b>			
Legislative Support - Audit Service	12,003	12,003	-
<b>TOTAL Examiners of Public Accounts</b>	<b>12,003</b>	<b>12,003</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	7,241	6,601	640	7,387	6,735	652
-	-	-	-	-	-	19	19	-
-	-	-	2,252	1,853	399	3,149	2,745	404
-	-	-	41,810	36,981	4,829	42,253	37,420	4,833
-	-	-	-	-	-	142	142	-
-	-	-	106,820	67,245	39,575	124,308	83,493	40,815
-	-	-	62,408	60,273	2,135	64,856	62,667	2,189
-	-	-	1,980	903	1,077	2,545	1,452	1,093
-	-	-	120	69	51	1,729	1,677	52
-	-	-	222,631	173,925	48,706	246,388	196,350	50,038
52,147	50,790	1,357	123,060	43,910	79,150	175,207	94,700	80,507
-	-	-	2,550	2,271	279	2,550	2,271	279
26,479	26,479	-	-	-	-	26,479	26,479	-
29,878	29,590	288	-	-	-	29,878	29,590	288
563	563	-	-	-	-	563	563	-
-	-	-	113,666	113,665	1	113,666	113,665	1
-	-	-	53,754	35,282	18,472	53,754	35,282	18,472
444	8	436	-	-	-	444	8	436
-	-	-	533	-	533	533	-	533
16,938	16,638	300	634,672	517,668	117,004	651,610	534,306	117,304
2,462,948	2,462,948	-	-	-	-	2,462,948	2,462,948	-
-	-	-	11,334	11,334	-	11,334	11,334	-
749	728	21	-	-	-	749	728	21
17,229	17,216	13	-	-	-	17,229	17,216	13
5,657	5,657	-	-	-	-	5,657	5,657	-
2,896	2,864	32	-	-	-	2,896	2,864	32
179,661	179,660	1	-	-	-	179,661	179,660	1
2,795,589	2,793,141	2,448	939,569	724,130	215,439	3,735,158	3,517,271	217,887
-	-	-	26,275	20,000	6,275	27,577	21,022	6,555
-	-	-	43,177	8,354	34,823	47,693	10,014	37,679
-	-	-	69,452	28,354	41,098	75,270	31,036	44,234
2,861	2,861	-	3,329	1,539	1,790	18,193	16,403	1,790
2,861	2,861	-	3,329	1,539	1,790	18,193	16,403	1,790

Continued on next page...

# STATE OF ALABAMA

## DETAIL SCHEDELO OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Finance</b>			
Administrative Support Service	-	-	-
Administrative Support Service: Alabama Building Renovation Finance Authority	-	-	-
Administrative Support Service: Capital Complex M and R	-	-	-
Administrative Support Service: Capitol Police	1,403	1,366	37
Administrative Support Service: Legal Division	354	320	34
Administrative Support Service: Personnel/Space Management	204	202	2
Administrative Support Service: Purchasing	1,231	1,178	53
Administrative Support Service: Service Division	803	798	5
Capital Outlay: Alabama Building Renovation Finance Authority	-	-	-
Capital Outlay: Capital Complex M and R	-	-	-
Fiscal Management	-	-	-
Fiscal Management: Budget Office	1,014	944	70
Fiscal Management: Comptroller's Office	3,344	3,276	68
<b>TOTAL Finance</b>	<b>8,353</b>	<b>8,084</b>	<b>269</b>
<b>Governor</b>			
Criminal Investigation: Law Enforcement Fund	132	80	52
Executive Direction: Governor's Contingency Fund	1,111	1,111	-
Executive Direction: Governor's Mansion	405	405	-
Executive Direction: Governor's Office	2,834	2,755	79
Executive Direction: Governor's Proclamation Expense	665	212	453
Executive Direction: National Governors' Conference	192	184	8
<b>TOTAL Governor</b>	<b>5,339</b>	<b>4,747</b>	<b>592</b>
<b>Human Resources</b>			
Human Services	-	-	-
<b>TOTAL Human Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Industrial Relations</b>			
Administrative Services	-	-	-
Employment Security	-	-	-
Industrial Safety and Accident Prevention	667	665	2
Regulation Workers Compensation	-	-	-
<b>TOTAL Industrial Relations</b>	<b>667</b>	<b>665</b>	<b>2</b>
<b>Legislature</b>			
Legislative Operations and Support	19,096	15,423	3,673
<b>TOTAL Legislature</b>	<b>19,096</b>	<b>15,423</b>	<b>3,673</b>
<b>Medicaid Agency</b>			
Medical Assistance Through Medicaid	232,219	232,219	-
<b>TOTAL Medicaid Agency</b>	<b>232,219</b>	<b>232,219</b>	<b>-</b>
<b>Mental Health and Retardation</b>			
Administrative Services	-	-	-
Institutional Treatment and Care of Mentally Ill	-	-	-
Institutional Treatment and Care of Mentally Retarded	-	-	-
Substance Abuse Program	-	-	-
<b>TOTAL Mental Health and Retardation</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	98,053	82,651	15,402	98,053	82,651	15,402
-	-	-	8,808	7,391	1,417	8,808	7,391	1,417
-	-	-	8,760	7,381	1,379	8,760	7,381	1,379
-	-	-	-	-	-	1,403	1,366	37
-	-	-	-	-	-	354	320	34
-	-	-	-	-	-	204	202	2
-	-	-	-	-	-	1,231	1,178	53
-	-	-	-	-	-	803	798	5
-	-	-	675	98	577	675	98	577
-	-	-	150	69	81	150	69	81
-	-	-	1,891	1,346	545	1,891	1,346	545
-	-	-	-	-	-	1,014	944	70
-	-	-	-	-	-	3,344	3,276	68
-	-	-	<b>118,337</b>	<b>98,936</b>	<b>19,401</b>	<b>126,690</b>	<b>107,020</b>	<b>19,670</b>
-	-	-	-	-	-	132	80	52
-	-	-	-	-	-	1,111	1,111	-
-	-	-	-	-	-	405	405	-
-	-	-	-	-	-	2,834	2,755	79
-	-	-	-	-	-	665	212	453
-	-	-	-	-	-	192	184	8
-	-	-	-	-	-	<b>5,339</b>	<b>4,747</b>	<b>592</b>
-	-	-	<b>1,062,086</b>	<b>1,047,377</b>	<b>14,709</b>	<b>1,062,086</b>	<b>1,047,377</b>	<b>14,709</b>
-	-	-	<b>1,062,086</b>	<b>1,047,377</b>	<b>14,709</b>	<b>1,062,086</b>	<b>1,047,377</b>	<b>14,709</b>
-	-	-	24,105	18,031	6,074	24,105	18,031	6,074
-	-	-	62,494	49,942	12,552	62,494	49,942	12,552
-	-	-	5,424	4,103	1,321	6,091	4,768	1,323
-	-	-	5,183	4,149	1,034	5,183	4,149	1,034
-	-	-	<b>97,206</b>	<b>76,225</b>	<b>20,981</b>	<b>97,873</b>	<b>76,890</b>	<b>20,983</b>
-	-	-	-	-	-	19,096	15,423	3,673
-	-	-	-	-	-	<b>19,096</b>	<b>15,423</b>	<b>3,673</b>
-	-	-	<b>3,238,304</b>	<b>3,160,386</b>	<b>77,918</b>	<b>3,470,523</b>	<b>3,392,605</b>	<b>77,918</b>
-	-	-	<b>3,238,304</b>	<b>3,160,386</b>	<b>77,918</b>	<b>3,470,523</b>	<b>3,392,605</b>	<b>77,918</b>
-	-	-	17,400	15,522	1,878	17,400	15,522	1,878
-	-	-	263,539	260,076	3,463	263,539	260,076	3,463
-	-	-	217,138	207,901	9,237	217,138	207,901	9,237
-	-	-	37,416	30,584	6,832	37,416	30,584	6,832
-	-	-	<b>535,493</b>	<b>514,083</b>	<b>21,410</b>	<b>535,493</b>	<b>514,083</b>	<b>21,410</b>

Continued on next page...

**STATE OF ALABAMA**

**DETAIL SCHEDEOL OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Postsecondary Education</b>			
Firefighters-Fire College: Firefighters/Fire College	-	-	-
Industrial Training: AIDT/Development Program	-	-	-
Industrial Training: AIDT/Training Program	-	-	-
Postsecondary Administration	-	-	-
Postsecondary Administration: Postsecondary/Chancellor's	-	-	-
Postsecondary-Junior Colleges: Two Year Colleges/Critical Needs	-	-	-
Postsecondary-Junior Colleges: Two Year Colleges/Operations and Maintenance	-	-	-
Postsecondary-Prison Education: Prison Education-Operations and Maintenance	-	-	-
Postsecondary-Technical Colleges	-	-	-
Support of State Universities: Athens State - Operations and Maintenance	-	-	-
<b>TOTAL Postsecondary Education</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Public Health</b>			
Administrative Services	8,200	8,200	-
Children's Health Insurance	-	-	-
Family Practice Rural Health	-	-	-
Personal Health Services	42,633	42,633	-
<b>TOTAL Public Health</b>	<b>50,833</b>	<b>50,833</b>	<b>-</b>
<b>Public Safety</b>			
Administrative Services	22,803	22,802	1
Police Services	30,197	30,188	9
Public Safety Support Services	9,499	9,471	28
Readiness and Recovery	200	36	164
<b>TOTAL Public Safety</b>	<b>62,699</b>	<b>62,497</b>	<b>202</b>
<b>Public Service Commission</b>			
Administrative Services	-	-	-
Regulatory Services	-	-	-
<b>TOTAL Public Service Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Rehabilitation Services</b>			
Direct Client Services-Handicap	2,104	2,104	-
<b>TOTAL Rehabilitation Services</b>	<b>2,104</b>	<b>2,104</b>	<b>-</b>
<b>Revenue</b>			
State Revenue Administration	125	60	65
<b>TOTAL Revenue</b>	<b>125</b>	<b>60</b>	<b>65</b>
<b>Secretary of State</b>			
Administrative Support Service	-	-	-
Administrative Support Service: Dist Public Documents	297	269	28
Administrative Support Service: Printing of Acts/Journals	428	257	171
Administrative Support Service: Printing of Codes	117	78	39
Administrative Support Service: Secretary of State	860	858	2
Special Services: Training Elected Officials	70	28	42
<b>TOTAL Secretary of State</b>	<b>1,772</b>	<b>1,490</b>	<b>282</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
3,812	3,812	-		-	-	3,812	3,812	-
3,566	3,566	-		-	-	3,566	3,566	-
3,522	3,522	-		-	-	3,522	3,522	-
-	-	-	808	313	495	808	313	495
2,790	2,784	6		-	-	2,790	2,784	6
1,654	1,654	-		-	-	1,654	1,654	-
220,389	220,389	-		-	-	220,389	220,389	-
7,805	7,805	-		-	-	7,805	7,805	-
-	-	-	1,800	1,264	536	1,800	1,264	536
8,648	8,648	-		-	-	8,648	8,648	-
<b>252,186</b>	<b>252,180</b>	<b>6</b>	<b>2,608</b>	<b>1,577</b>	<b>1,031</b>	<b>254,794</b>	<b>253,757</b>	<b>1,037</b>
-	-	-	15,889	12,130	3,759	24,089	20,330	3,759
-	-	-	76,374	72,824	3,550	76,374	72,824	3,550
971	964	7	-	-	-	971	964	7
14,265	14,265	-	332,381	291,183	41,198	389,279	348,081	41,198
<b>15,236</b>	<b>15,229</b>	<b>7</b>	<b>424,644</b>	<b>376,137</b>	<b>48,507</b>	<b>490,713</b>	<b>442,199</b>	<b>48,514</b>
-	-	-	11,291	2,993	8,298	34,094	25,795	8,299
-	-	-	34,943	16,083	18,860	65,140	46,271	18,869
-	-	-	7,018	5,103	1,915	16,517	14,574	1,943
-	-	-	-	-	-	200	36	164
-	-	-	<b>53,252</b>	<b>24,179</b>	<b>29,073</b>	<b>115,951</b>	<b>86,676</b>	<b>29,275</b>
-	-	-	6,797	5,848	949	6,797	5,848	949
-	-	-	6,903	6,491	412	6,903	6,491	412
-	-	-	<b>13,700</b>	<b>12,339</b>	<b>1,361</b>	<b>13,700</b>	<b>12,339</b>	<b>1,361</b>
<b>27,904</b>	<b>27,899</b>	<b>5</b>	<b>108,014</b>	<b>90,000</b>	<b>18,014</b>	<b>138,022</b>	<b>120,003</b>	<b>18,019</b>
<b>27,904</b>	<b>27,899</b>	<b>5</b>	<b>108,014</b>	<b>90,000</b>	<b>18,014</b>	<b>138,022</b>	<b>120,003</b>	<b>18,019</b>
-	-	-	90,580	90,369	211	90,705	90,429	276
-	-	-	<b>90,580</b>	<b>90,369</b>	<b>211</b>	<b>90,705</b>	<b>90,429</b>	<b>276</b>
-	-	-	2,314	1,330	984	2,314	1,330	984
-	-	-	-	-	-	297	269	28
-	-	-	-	-	-	428	257	171
-	-	-	-	-	-	117	78	39
-	-	-	-	-	-	860	858	2
-	-	-	-	-	-	70	28	42
-	-	-	<b>2,314</b>	<b>1,330</b>	<b>984</b>	<b>4,086</b>	<b>2,820</b>	<b>1,266</b>

Continued on next page...

**STATE OF ALABAMA**

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**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b><u>Transportation</u></b>			
Airport Development and Aeronautics	-	-	-
Appropriation Transfers	-	-	-
Automotive Equipment Purchases	-	-	-
Captive County Health Insurance	-	-	-
Central Administration	-	-	-
Construction-Federal Aid Programs	-	-	-
Construction-State Programs	-	-	-
Debt Service	-	-	-
Debt Service, General Obligation Bonds	-	-	-
Division and District Supervision	-	-	-
Maintenance	-	-	-
Operations and Support Service	-	-	-
Other Equipment Purchases	-	-	-
<b>TOTAL Transportation</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Treasure</u></b>			
Fiscal Management	2,921	2,352	569
<b>TOTAL Treasurer</b>	<b>2,921</b>	<b>2,352</b>	<b>569</b>
<b><u>Youth Services</u></b>			
Community Educational Programs	-	-	-
Financial Assistance	-	-	-
Youth Services	12,306	12,306	-
Youth Services-Boot Camps	4,350	4,350	-
<b>TOTAL Youth Services</b>	<b>16,656</b>	<b>16,656</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	26,991	22,688	4,303	26,991	22,688	4,303
-	-	-	3,500	3,500	-	3,500	3,500	-
-	-	-	2,294	2,268	26	2,294	2,268	26
-	-	-	168	49	119	168	49	119
-	-	-	44,663	26,620	18,043	44,663	26,620	18,043
-	-	-	2,883,898	1,012,590	1,871,308	2,883,898	1,012,590	1,871,308
-	-	-	204,515	65,560	138,955	204,515	65,560	138,955
-	-	-	4,426	4,426	-	4,426	4,426	-
-	-	-	17,808	17,808	-	17,808	17,808	-
-	-	-	30,276	10,143	20,133	30,276	10,143	20,133
-	-	-	205,126	134,400	70,726	205,126	134,400	70,726
-	-	-	6,940	3,916	3,024	6,940	3,916	3,024
-	-	-	12,020	8,453	3,567	12,020	8,453	3,567
-	-	-	<b>3,442,625</b>	<b>1,312,421</b>	<b>2,130,204</b>	<b>3,442,625</b>	<b>1,312,421</b>	<b>2,130,204</b>
-	-	-	<b>6,564</b>	<b>4,389</b>	<b>2,175</b>	<b>9,485</b>	<b>6,741</b>	<b>2,744</b>
<b>4,933</b>	<b>4,933</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,933</b>	<b>4,933</b>	<b>-</b>
<b>6,539</b>	<b>6,309</b>	<b>230</b>	<b>721</b>	<b>658</b>	<b>63</b>	<b>7,260</b>	<b>6,967</b>	<b>293</b>
<b>37,122</b>	<b>36,579</b>	<b>543</b>	<b>10,112</b>	<b>6,807</b>	<b>3,305</b>	<b>59,540</b>	<b>55,692</b>	<b>3,848</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>	<b>300</b>	<b>4,650</b>	<b>4,350</b>	<b>300</b>
<b>48,594</b>	<b>47,821</b>	<b>773</b>	<b>11,133</b>	<b>7,465</b>	<b>3,668</b>	<b>76,383</b>	<b>71,942</b>	<b>4,441</b>

Continued on next page...

# STATE OF ALABAMA

## DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>Colleges and Universities</b>			
<b>Alabama Agricultural and Mechanical University</b>			
Support of State Universities: ACES-System Personnel Costs	-	-	-
Support of State Universities: Agriculture Research Station Fixed Costs	-	-	-
Support of State Universities: Alabama A&M-Agriculture Research Extension State Match	-	-	-
Support of State Universities: Alabama A&M-Desegregation Planning	-	-	-
Support of State Universities: Alabama A&M-Miles College	-	-	-
Support of State Universities: Alabama A&M-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
Support of State Universities: Urban Affairs and Non-Trade Program	-	-	-
<b>Total Alabama Agricultural and Mechanical University</b>	-	-	-
<b>Alabama Institute for the Deaf and Blind</b>			
AIDB Adult Programs	-	-	-
AIDB Children and Youth Programs	-	-	-
AIDB Industries for Blind	-	-	-
<b>Total Alabama Institute for the Deaf and Blind</b>	-	-	-
<b>Alabama State University</b>			
Support of State Universities: Alabama State University - Desegregation Planning	-	-	-
Support of State Universities: Alabama State University-Operations and Maintenance	-	-	-
Support of State Universities: Title VI Program Enhancement	-	-	-
<b>Total Alabama State University</b>	-	-	-
<b>Auburn University</b>			
Support of State Universities: Auburn University System-Operations and Maintenance	-	-	-
Support of State Universities: Auburn University-AUM Operations and Maintenance	-	-	-
Support of State Universities: Auburn/Agriculture Experiment Station	-	-	-
Support of State Universities: Auburn/Cooperative Extension Service	-	-	-
Support of State Universities: Auburn/Technology Network	-	-	-
<b>Total Auburn University</b>	-	-	-
<b>Jacksonville State University</b>			
Support of State Universities: Jacksonville State University-Operations and Maintenance	-	-	-
Support of State Universities: Jacksonville/Senate Special Projects	-	-	-
<b>Total Jacksonville State University</b>	-	-	-
<b>Troy State University</b>			
Support of State Universities: Troy State University Southeast Alabama Technology Network	-	-	-
Support of State Universities: Troy State University System-Operations and Maintenance	-	-	-
Support of State Universities: TSU/MacArthur Tech Consortium	-	-	-
<b>Total Troy State University</b>	-	-	-
<b>University of Alabama - Birmingham</b>			
Support of State Universities: Chauncey Sparks Center/UAB	-	-	-
Support of State Universities: GF James Cystic Fibrosis Center	-	-	-
Support of State Universities: UAB Brain Tumor Center	-	-	-
Support of State Universities: UAB-Emergency Medical Residency	-	-	-
Support of State Universities: University of Alabama-Birmingham-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Birmingham</b>	-	-	-
<b>University of Alabama - Huntsville</b>			
Support of State Universities: University of Alabama-Huntsville-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Huntsville</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
867	867	-	-	-	-	867	867	-
281	281	-	-	-	-	281	281	-
855	855	-	-	-	-	855	855	-
173	173	-	-	-	-	173	173	-
347	347	-	-	-	-	347	347	-
26,155	26,155	-	-	-	-	26,155	26,155	-
535	535	-	-	-	-	535	535	-
1,828	1,828	-	-	-	-	1,828	1,828	-
<b>31,041</b>	<b>31,041</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,041</b>	<b>31,041</b>	<b>-</b>
7,653	7,653	-	-	-	-	7,653	7,653	-
21,015	21,015	-	-	-	-	21,015	21,015	-
5,388	5,388	-	-	-	-	5,388	5,388	-
<b>34,056</b>	<b>34,056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,056</b>	<b>34,056</b>	<b>-</b>
173	173	-	-	-	-	173	173	-
27,161	27,161	-	-	-	-	27,161	27,161	-
1,555	1,555	-	-	-	-	1,555	1,555	-
<b>28,889</b>	<b>28,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,889</b>	<b>28,889</b>	<b>-</b>
131,006	131,006	-	-	-	-	131,006	131,006	-
18,706	18,706	-	-	-	-	18,706	18,706	-
23,410	23,410	-	-	-	-	23,410	23,410	-
26,184	26,184	-	-	-	-	26,184	26,184	-
1,477	1,477	-	-	-	-	1,477	1,477	-
<b>200,783</b>	<b>200,783</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,783</b>	<b>200,783</b>	<b>-</b>
28,192	28,192	-	-	-	-	28,192	28,192	-
127	127	-	-	-	-	127	127	-
<b>28,319</b>	<b>28,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,319</b>	<b>28,319</b>	<b>-</b>
338	338	-	-	-	-	338	338	-
34,530	34,530	-	-	-	-	34,530	34,530	-
100	100	-	-	-	-	100	100	-
<b>34,968</b>	<b>34,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34,968</b>	<b>34,968</b>	<b>-</b>
4,032	4,032	-	-	-	-	4,032	4,032	-
178	178	-	-	-	-	178	178	-
178	178	-	-	-	-	178	178	-
84	84	-	-	-	-	84	84	-
208,838	208,838	-	-	-	-	208,838	208,838	-
<b>213,310</b>	<b>213,310</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213,310</b>	<b>213,310</b>	<b>-</b>
<b>36,044</b>	<b>36,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,044</b>	<b>36,044</b>	<b>-</b>
<b>36,044</b>	<b>36,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,044</b>	<b>36,044</b>	<b>-</b>

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**STATE OF ALABAMA**

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**DETAIL SCHEDEOL OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

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(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>University of Alabama - Tuscaloosa</b>			
Support of State Universities: School Fest	-	-	-
Support of State Universities: UA-Alabama Minority Technical Network	-	-	-
Support of State Universities: UA-Alabama Technical Network	-	-	-
Support of State Universities: University of Alabama-Tuscaloosa-Operations and Maintenance	-	-	-
<b>Total University of Alabama - Tuscaloosa</b>	-	-	-
<b>University of Montevallo</b>			
Support of State Universities: University of Montevallo-Operations and Maintenance	-	-	-
<b>Total University of Montevallo</b>	-	-	-
<b>University of North Alabama</b>			
Support of State Universities: University of North Alabama-Operations and Maintenance	-	-	-
<b>Total University of North Alabama</b>	-	-	-
<b>University of South Alabama</b>			
Support of State Universities: University of South Alabama-Operations and Maintenance	-	-	-
<b>Total University of South Alabama</b>	-	-	-
<b>University of West Alabama</b>			
Support of State Universities: University of West Alabama-Operations and Maintenance	-	-	-
<b>Total University of West Alabama</b>	-	-	-
<b>TOTAL Colleges and Universities</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
513	513	-	-	-	-	513	513	-
760	760	-	-	-	-	760	760	-
1,477	1,477	-	-	-	-	1,477	1,477	-
117,798	117,798	-	-	-	-	117,798	117,798	-
<b>120,548</b>	<b>120,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,548</b>	<b>120,548</b>	<b>-</b>
14,785	14,785	-	-	-	-	14,785	14,785	-
<b>14,785</b>	<b>14,785</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,785</b>	<b>14,785</b>	<b>-</b>
20,922	20,922	-	-	-	-	20,922	20,922	-
<b>20,922</b>	<b>20,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,922</b>	<b>20,922</b>	<b>-</b>
80,995	80,995	-	-	-	-	80,995	80,995	-
<b>80,995</b>	<b>80,995</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,995</b>	<b>80,995</b>	<b>-</b>
9,172	9,172	-	-	-	-	9,172	9,172	-
<b>9,172</b>	<b>9,172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,172</b>	<b>9,172</b>	<b>-</b>
<b>853,832</b>	<b>853,832</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>853,832</b>	<b>853,832</b>	<b>-</b>

*Continued on next page...*

**STATE OF ALABAMA**

**DETAIL SCHEDELE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Other</b>			
<b>Academy of Honor</b>			
Historical Resources Management	5	5	-
<b>Total Academy of Honor</b>	<b>5</b>	<b>5</b>	<b>-</b>
<b>Accountancy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Accountancy Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Agricultural Museum Board</b>			
Agricultural Promotional Program	-	-	-
<b>Total Agricultural Museum Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Agriculture and Industries Exhibit Commission</b>			
Agricultural Development Services	34	34	-
<b>Total Agriculture and Industries Exhibit Commission</b>	<b>34</b>	<b>34</b>	<b>-</b>
<b>Agriculture Center Board</b>			
Agricultural Development Services: Fairs and Livestock Shows	170	168	2
Agricultural Development Services: Livestock Coliseum	310	310	-
Agricultural Development Services: Operations	340	340	-
<b>Total Agriculture Center Board</b>	<b>820</b>	<b>818</b>	<b>2</b>
<b>Alabama Law Institute</b>			
Support - Other Educational Activities	529	529	-
<b>Total Alabama Law Institute</b>	<b>529</b>	<b>529</b>	<b>-</b>
<b>Alabama Onsite Wastewater Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Alabama Onsite Wastewater Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Alabama Trusts</b>			
Alabama Natural Heritage	-	-	-
Appropriation Transfers	-	-	-
Fiscal Management	24	-	24
<b>Total Alabama Trusts</b>	<b>24</b>	<b>-</b>	<b>24</b>
<b>Alcoholic Beverage Control Board</b>			
Administrative Services	-	-	-
Alcoholic Beverage Management	-	-	-
Licensing, Regulation and Enforcement	-	-	-
<b>Total Alcoholic Beverage Control Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Architects Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Architects Registration Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Archives and History</b>			
Historical Resources Management	3,061	3,061	-
<b>Total Archives and History</b>	<b>3,061</b>	<b>3,061</b>	<b>-</b>
<b>Assisted Living Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Assisted Living Examiners Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Athlete Agent Regulatory Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Athlete Agent Regulatory Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	5	5	-
-	-	-	766	595	171	766	595	171
-	-	-	766	595	171	766	595	171
-	-	-	135	107	28	135	107	28
-	-	-	135	107	28	135	107	28
-	-	-	-	-	-	34	34	-
-	-	-	-	-	-	34	34	-
-	-	-	-	-	-	170	168	2
-	-	-	487	276	211	797	586	211
-	-	-	-	-	-	340	340	-
-	-	-	487	276	211	1,307	1,094	213
53	53	-	-	-	-	582	582	-
53	53	-	-	-	-	582	582	-
-	-	-	255	234	21	255	234	21
-	-	-	255	234	21	255	234	21
-	-	-	300	221	79	300	221	79
-	-	-	13,000	6,793	6,207	13,000	6,793	6,207
-	-	-	20	14	6	44	14	30
-	-	-	13,320	7,028	6,292	13,344	7,028	6,316
-	-	-	6,944	6,574	370	6,944	6,574	370
-	-	-	33,841	33,808	33	33,841	33,808	33
-	-	-	12,115	11,624	491	12,115	11,624	491
-	-	-	52,900	52,006	894	52,900	52,006	894
-	-	-	323	259	64	323	259	64
-	-	-	323	259	64	323	259	64
780	780	-	474	253	221	4,315	4,094	221
780	780	-	474	253	221	4,315	4,094	221
-	-	-	44	26	18	44	26	18
-	-	-	44	26	18	44	26	18
-	-	-	32	-	32	32	-	32
-	-	-	32	-	32	32	-	32

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Athletic Trainers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Athletic Trainers Board</b>	-	-	-
<b>Auctioneers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Auctioneers Board</b>	-	-	-
<b>Banking</b>			
Charter Licensure and Regulation Financial	-	-	-
<b>Total Banking</b>	-	-	-
<b>Board of Adjustment</b>			
Special Services: Damage Claims-Board of Adjustment	8	6	2
Special Services: Death Claims-Board of Adjustment	617	600	17
Special Services: Voided Warrants-Board of Adjustment	5	-	5
<b>Total Board of Adjustment</b>	<b>630</b>	<b>606</b>	<b>24</b>
<b>Building Commission</b>			
Capital Outlay	179	157	22
Professional and Occupational Licensure and Regulation	-	-	-
Special Services	210	201	9
<b>Total Building Commission</b>	<b>389</b>	<b>358</b>	<b>31</b>
<b>Child Abuse and Neglect Prevention</b>			
Social Services	-	-	-
<b>Total Child Abuse and Neglect Prevention</b>	-	-	-
<b>Children Services Facilitation</b>			
Human Services	-	-	-
<b>Total Children Services Facilitation</b>	-	-	-
<b>Children's Affairs</b>			
Children's Policy Council	-	-	-
Social Services	507	451	56
<b>Total Children's Affairs</b>	<b>507</b>	<b>451</b>	<b>56</b>
<b>Chiropractic Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Chiropractic Examiners Board</b>	-	-	-
<b>Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority</b>			
Water Resource Development	241	237	4
<b>Total Choctawhatchee, Pea and Yellow Rivers Watershed Management Authority</b>	<b>241</b>	<b>237</b>	<b>4</b>
<b>Commision on Uniform State Laws</b>			
Special Services	45	43	2
<b>Total Commision on Uniform State Laws</b>	<b>45</b>	<b>43</b>	<b>2</b>
<b>Conservation and Natural Resources</b>			
Administrative Services	-	-	-
Capital Outlay	-	-	-
Game and Fish	-	-	-
Marine Police	-	-	-
Marine Resources	-	-	-
Outdoor Recreation Sites and Services	-	-	-
State Land Management	-	-	-
<b>Total Conservation and Natural Resources</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	45	34	11	45	34	11
-	-	-	45	34	11	45	34	11
-	-	-	125	111	14	125	111	14
-	-	-	125	111	14	125	111	14
-	-	-	8,871	7,372	1,499	8,871	7,372	1,499
-	-	-	8,871	7,372	1,499	8,871	7,372	1,499
-	-	-	-	-	-	8	6	2
-	-	-	-	-	-	617	600	17
-	-	-	-	-	-	5	-	5
-	-	-	-	-	-	630	606	24
-	-	-	-	-	-	179	157	22
-	-	-	92	70	22	92	70	22
-	-	-	1,653	1,250	403	1,863	1,451	412
-	-	-	1,745	1,320	425	2,134	1,678	456
-	-	-	8,756	8,745	11	8,756	8,745	11
-	-	-	8,756	8,745	11	8,756	8,745	11
-	-	-	2,191	2,131	60	2,191	2,131	60
-	-	-	2,191	2,131	60	2,191	2,131	60
-	-	-	551	391	160	551	391	160
3,065	2,985	80	1,282	1,174	108	4,854	4,610	244
3,065	2,985	80	1,833	1,565	268	5,405	5,001	404
-	-	-	221	171	50	221	171	50
-	-	-	221	171	50	221	171	50
-	-	-	67	-	67	308	237	71
-	-	-	67	-	67	308	237	71
-	-	-	-	-	-	45	43	2
-	-	-	-	-	-	45	43	2
-	-	-	6,282	6,009	273	6,282	6,009	273
-	-	-	17,309	2,042	15,267	17,309	2,042	15,267
-	-	-	26,251	23,077	3,174	26,251	23,077	3,174
-	-	-	7,374	5,586	1,788	7,374	5,586	1,788
-	-	-	4,904	3,930	974	4,904	3,930	974
-	-	-	4,250	3,947	303	4,250	3,947	303
-	-	-	7,157	4,828	2,329	7,157	4,828	2,329
-	-	-	73,527	49,419	24,108	73,527	49,419	24,108

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Corrections Institute Finance Authority</b>			
Capital Outlay	-	-	-
<b>Total Corrections Institute Finance Authority</b>	-	-	-
<b>Cosmetology Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Cosmetology Board</b>	-	-	-
<b>Council on the Arts</b>			
Community Arts and Cultural Program	-	-	-
Fine Arts	-	-	-
<b>Total Council on the Arts</b>	-	-	-
<b>Counseling Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Counseling Examiners Board</b>	-	-	-
<b>Court of Civil Appeals</b>			
Court Operations	3,203	3,059	144
<b>Total Court of Civil Appeals</b>	<b>3,203</b>	<b>3,059</b>	<b>144</b>
<b>Court of Criminal Appeals</b>			
Court Operations	3,785	3,774	11
<b>Total Court of Criminal Appeals</b>	<b>3,785</b>	<b>3,774</b>	<b>11</b>
<b>Credit Union Administration</b>			
Charter Licensure and Regulation Financial	-	-	-
<b>Total Credit Union Administration</b>	-	-	-
<b>Crime Victims Compensation Commission</b>			
Special Services	-	-	-
<b>Total Crime Victims Compensation Commission</b>	-	-	-
<b>Criminal Justice Information Center</b>			
Criminal Justice Infomation Services	2,501	2,501	-
<b>Total Criminal Justice Information Center</b>	<b>2,501</b>	<b>2,501</b>	<b>-</b>
<b>Debt Service and Reserve</b>			
Capital Outlay	-	-	-
Debt Service: General Obligation 1999-A Refunding	-	-	-
Debt Service: PSCA DS Tran	-	-	-
Fiscal Management	-	-	-
Fiscal Management: 92 Waterway Refunding	3,079	3,079	-
Fiscal Management: General Obligation 1999-A Refunding	14,773	14,773	-
Fiscal Management: General Obligation 1999-B Refunding	1,791	1,791	-
<b>Total Debt Service and Reserve</b>	<b>19,643</b>	<b>19,643</b>	<b>-</b>
<b>Development Office</b>			
Industrial Development	-	-	-
Industrial Development: Alabama Development Office	4,146	4,134	12
Promotional Development: ADO-Alabama Film Commission	482	481	1
<b>Total Development Office</b>	<b>4,628</b>	<b>4,615</b>	<b>13</b>
<b>Dieteticians and Nutritionists Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Dieteticians and Nutritionists Examining Board</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	4	4	-	4	4	-
-	-	-	4	4	-	4	4	-
-	-	-	1,250	950	300	1,250	950	300
-	-	-	1,250	950	300	1,250	950	300
1,828	1,765	63	-	-	-	1,828	1,765	63
3,877	3,870	7	583	583	-	4,460	4,453	7
<b>5,705</b>	<b>5,635</b>	<b>70</b>	<b>583</b>	<b>583</b>	<b>-</b>	<b>6,288</b>	<b>6,218</b>	<b>70</b>
-	-	-	294	226	68	294	226	68
-	-	-	294	226	68	294	226	68
-	-	-	-	-	-	3,203	3,059	144
-	-	-	-	-	-	3,203	3,059	144
-	-	-	-	-	-	3,785	3,774	11
-	-	-	-	-	-	3,785	3,774	11
-	-	-	918	610	308	918	610	308
-	-	-	918	610	308	918	610	308
-	-	-	2,621	1,706	915	2,621	1,706	915
-	-	-	2,621	1,706	915	2,621	1,706	915
-	-	-	5,232	3,791	1,441	7,733	6,292	1,441
-	-	-	5,232	3,791	1,441	7,733	6,292	1,441
8,997	3,197	5,800	1,500	1,500	-	1,500	1,500	-
-	-	-	5,800	5,800	-	14,797	8,997	5,800
-	-	-	46,400	46,400	-	46,400	46,400	-
-	-	-	21,406	13,332	8,074	21,406	13,332	8,074
-	-	-	-	-	-	3,079	3,079	-
-	-	-	-	-	-	14,773	14,773	-
-	-	-	-	-	-	1,791	1,791	-
<b>8,997</b>	<b>3,197</b>	<b>5,800</b>	<b>75,106</b>	<b>67,032</b>	<b>8,074</b>	<b>103,746</b>	<b>89,872</b>	<b>13,874</b>
-	-	-	-	-	-	-	-	-
-	-	-	100	-	100	4,246	4,134	112
-	-	-	-	-	-	482	481	1
-	-	-	100	-	100	4,728	4,615	113
-	-	-	125	82	43	125	82	43
-	-	-	125	82	43	125	82	43

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**STATE OF ALABAMA**

**DETAIL SCHEDEOL OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Director of Finance</b>			
Fiscal Management	1,343	1,079	264
<b>Total Director of Finance</b>	<b>1,343</b>	<b>1,079</b>	<b>264</b>
<b>District Attorneys</b>			
Court Operations	25,597	25,523	74
<b>Total District Attorneys</b>	<b>25,597</b>	<b>25,523</b>	<b>74</b>
<b>Drug Education/Awareness Oversight Council</b>			
Support - Other Educational Activities	-	-	-
<b>Total Drug Education/Awareness Oversight Council</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Educational Television Commission</b>			
Capital Outlay	-	-	-
Educational Television	-	-	-
<b>Total Educational Television Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Electrical Contractors Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Electrical Contractors Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Electronic Security Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Electronic Security Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Environmental Management</b>			
Environmental Management	-	-	-
<b>Total Environmental Management</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ETF Direct Disbursements</b>			
Debt Service: Auburn University Endowment	-	-	-
Debt Service: Grove Hill Endowment	-	-	-
Debt Service: University of Alabama Endowment	-	-	-
Employee Benefits: Teachers Retirement System Unused Sick Leave Death Benefits	-	-	-
Financial Assistance: Alabama School of Fine Arts	-	-	-
Financial Assistance: American Legion Scholarships	-	-	-
Special Services: Space Science Exhibit Commission	-	-	-
Support - Other Educational Activities: Dental Scholarships	-	-	-
Support - Other Educational Activities: Marine Environmental	-	-	-
Support - Other Educational Activities: Medical Scholarships	-	-	-
Support - Other Educational Activities: Montgomery Internal Medicine Residency	-	-	-
Support - Other Educational Activities: Music Hall of Fame	-	-	-
Support - Other Educational Activities: Optometric Scholarships	-	-	-
<b>Total ETF Direct Disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	1,343	1,079	264
-	-	-	-	-	-	1,343	1,079	264
-	-	-	-	-	-	25,597	25,523	74
-	-	-	-	-	-	25,597	25,523	74
670	670	-	-	-	-	670	670	-
670	670	-	-	-	-	670	670	-
114	114	-	-	-	-	114	114	-
8,862	8,862	-	2,303	1,378	925	11,165	10,240	925
8,976	8,976	-	2,303	1,378	925	11,279	10,354	925
-	-	-	375	200	175	375	200	175
-	-	-	375	200	175	375	200	175
-	-	-	185	152	33	185	152	33
-	-	-	185	152	33	185	152	33
-	-	-	45,182	38,082	7,100	45,182	38,082	7,100
-	-	-	45,182	38,082	7,100	45,182	38,082	7,100
20	20	-	-	-	-	20	20	-
1	1	-	-	-	-	1	1	-
61	61	-	-	-	-	61	61	-
750	660	90	-	-	-	750	660	90
4,002	4,002	-	-	-	-	4,002	4,002	-
106	104	2	-	-	-	106	104	2
356	356	-	-	-	-	356	356	-
103	103	-	-	-	-	103	103	-
2,615	2,615	-	-	-	-	2,615	2,615	-
396	396	-	-	-	-	396	396	-
198	198	-	-	-	-	198	198	-
91	91	-	-	-	-	91	91	-
87	87	-	-	-	-	87	87	-
8,786	8,694	92	-	-	-	8,786	8,694	92

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>ETF Non-State</b>			
Direct Client Services-Handicap: Camp ASCCA	-	-	-
Financial Assistance: DAR School	-	-	-
Human Services: East Alabama Child Development	-	-	-
Personal Health Services: AIDS Task Force	-	-	-
Personal Health Services: Bevill Center - Brewton	-	-	-
Personal Health Services: Epilepsy Foundation	-	-	-
Planning and Coordination Services: Sports Festival	-	-	-
Support - Other Educational Activities: Central Alabama OIC	-	-	-
Support - Other Educational Activities: Children's and Women's Hospital	-	-	-
Support - Other Educational Activities: Children's Hospital	-	-	-
Support - Other Educational Activities: Helen Keller Eye Research	-	-	-
Support - Other Educational Activities: League for Advancement	-	-	-
Support - Other Educational Activities: Lyman Ward Military Academy	-	-	-
Support - Other Educational Activities: Marion Military Institute	-	-	-
Support - Other Educational Activities: Talladega College	-	-	-
Support - Other Educational Activities: Tuskegee University	-	-	-
<b>Total ETF Non-State</b>	-	-	-
<b>Ethics Commission</b>			
Regulation of Public Officials and Employees	1,025	1,014	11
<b>Total Ethics Commission</b>	<b>1,025</b>	<b>1,014</b>	<b>11</b>
<b>Farmers' Market Authority</b>			
Agricultural Development Services	337	334	3
Capital Outlay	105	105	-
<b>Total Farmers' Market Authority</b>	<b>442</b>	<b>439</b>	<b>3</b>
<b>Federal Aid Highway Finance Authority</b>			
Capital Outlay	-	-	-
<b>Total Federal Aid Highway Finance Authority</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Finance Special Appropriations</b>			
Administration Service and Logistical Supply: Removal of Prisoners	533	532	1
Criminal Investigation: Arrest of Absconding Felons	58	45	13
Executive Direction: Governors' Widow Retirement	14	14	-
Fiscal Management: CMIA	497	497	-
Fiscal Management: Employee Suggestion Awards Program	483	2	481
Institutional Service Corrections: Feeding of Prisoners	6,762	6,761	1
Legal Advice and Legal Service: Automatic Appeal Expense	39	3	36
Legal Advice and Legal Service: Court Assessed Cost not Provided	371	343	28
Legal Advice and Legal Service: Law Enforcement Legal Defense	2	-	2
Special Services: Court Assessed Cost not Provided	3,445	3,445	-
Special Services: Election Expenses	4,843	4,842	1
Special Services: Emergency Fund, Departmental	6,973	1,973	5,000
Special Services: Freddie Lee Gaines	100	100	-
Special Services: Registration of Voters	2,702	2,544	158
<b>Total Finance Special Appropriations</b>	<b>26,822</b>	<b>21,101</b>	<b>5,721</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
490	490	-	-	-	-	490	490	-
63	63	-	-	-	-	63	63	-
1,052	1,052	-	-	-	-	1,052	1,052	-
267	267	-	-	-	-	267	267	-
36	36	-	-	-	-	36	36	-
53	53	-	-	-	-	53	53	-
75	75	-	-	-	-	75	75	-
116	116	-	-	-	-	116	116	-
608	608	-	-	-	-	608	608	-
847	847	-	-	-	-	847	847	-
319	319	-	-	-	-	319	319	-
81	81	-	-	-	-	81	81	-
204	204	-	-	-	-	204	204	-
436	436	-	-	-	-	436	436	-
511	511	-	-	-	-	511	511	-
4,726	4,726	-	-	-	-	4,726	4,726	-
<b>9,884</b>	<b>9,884</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,884</b>	<b>9,884</b>	<b>-</b>
-	-	-	-	-	-	1,025	1,014	11
-	-	-	-	-	-	<b>1,025</b>	<b>1,014</b>	<b>11</b>
-	-	-	1,317	967	350	1,654	1,301	353
-	-	-	140	95	45	245	200	45
-	-	-	<b>1,457</b>	<b>1,062</b>	<b>395</b>	<b>1,899</b>	<b>1,501</b>	<b>398</b>
-	-	-	203,035	392	202,643	203,035	392	202,643
-	-	-	<b>203,035</b>	<b>392</b>	<b>202,643</b>	<b>203,035</b>	<b>392</b>	<b>202,643</b>
-	-	-	-	-	-	533	532	1
-	-	-	-	-	-	58	45	13
-	-	-	-	-	-	14	14	-
-	-	-	-	-	-	497	497	-
-	-	-	-	-	-	483	2	481
-	-	-	-	-	-	6,762	6,761	1
-	-	-	-	-	-	39	3	36
-	-	-	-	-	-	371	343	28
-	-	-	-	-	-	2	-	2
-	-	-	-	-	-	3,445	3,445	-
-	-	-	-	-	-	4,843	4,842	1
-	-	-	-	-	-	6,973	1,973	5,000
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	2,702	2,544	158
-	-	-	-	-	-	<b>26,822</b>	<b>21,101</b>	<b>5,721</b>

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Finance Special Funds</b>			
Appropriation Transfers	-	-	-
Capital Outlay	-	-	-
Capital Outlay: Docks Portion	-	-	-
Capital Outlay: GO 2001-E Cost of Issuance	-	-	-
Capital Outlay: GO 2001-E Dept. of Transportation	-	-	-
Capital Outlay: GO 2001-E Local Government Match	-	-	-
Capital Outlay: GO 2001-E Port Authority	-	-	-
Fiscal Management	5,000	-	5,000
Non-State	-	-	-
Special Services	-	-	-
<b>Total Finance Special Funds</b>	<b>5,000</b>	<b>-</b>	<b>5,000</b>
<b>Forensic Sciences</b>			
Forensic Science Services	7,407	7,392	15
<b>Total Forensic Sciences</b>	<b>7,407</b>	<b>7,392</b>	<b>15</b>
<b>Foresters Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Foresters Registration Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Forestry Commission</b>			
Capital Outlay	-	-	-
Forest Resources Protection and Development	-	-	-
<b>Total Forestry Commission</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Forever Wild Land Trust</b>			
Administrative Services	-	-	-
Capital Outlay	-	-	-
<b>Total Forever Wild Land Trust</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fringe Benefit Accounts</b>			
Fringe Benefits: Judicial Retirement - GF Share	1,341	1,341	-
<b>Total Fringe Benefit Accounts</b>	<b>1,341</b>	<b>1,341</b>	<b>-</b>
<b>Funeral Services Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Funeral Services Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General Contractors Licensing Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total General Contractors Licensing Board</b>	<b>-</b>	<b>-</b>	<b>-</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	134,054	134,054	-	134,054	134,054	-
-	-	-	2,850	2,850	-	2,850	2,850	-
-	-	-	914	914	-	914	914	-
-	-	-	700	267	433	700	267	433
-	-	-	50,000	50,000	-	50,000	50,000	-
-	-	-	15,000	-	15,000	15,000	-	15,000
-	-	-	20,000	10,517	9,483	20,000	10,517	9,483
-	-	-	500	500	-	5,500	500	5,000
-	-	-	18,140	18,140	-	18,140	18,140	-
-	-	-	376	376	-	376	376	-
-	-	-	<b>242,534</b>	<b>217,618</b>	<b>24,916</b>	<b>247,534</b>	<b>217,618</b>	<b>29,916</b>
-	-	-	9,782	7,659	2,123	17,189	15,051	2,138
-	-	-	<b>9,782</b>	<b>7,659</b>	<b>2,123</b>	<b>17,189</b>	<b>15,051</b>	<b>2,138</b>
-	-	-	140	83	57	140	83	57
-	-	-	<b>140</b>	<b>83</b>	<b>57</b>	<b>140</b>	<b>83</b>	<b>57</b>
-	-	-	418	178	240	418	178	240
-	-	-	30,533	28,876	1,657	30,533	28,876	1,657
-	-	-	<b>30,951</b>	<b>29,054</b>	<b>1,897</b>	<b>30,951</b>	<b>29,054</b>	<b>1,897</b>
-	-	-	3,330	3,100	230	3,330	3,100	230
-	-	-	13,073	8,445	4,628	13,073	8,445	4,628
-	-	-	<b>16,403</b>	<b>11,545</b>	<b>4,858</b>	<b>16,403</b>	<b>11,545</b>	<b>4,858</b>
-	-	-	-	-	-	1,341	1,341	-
-	-	-	-	-	-	<b>1,341</b>	<b>1,341</b>	-
-	-	-	192	175	17	192	175	17
-	-	-	<b>192</b>	<b>175</b>	<b>17</b>	<b>192</b>	<b>175</b>	<b>17</b>
-	-	-	1,700	936	764	1,700	936	764
-	-	-	<b>1,700</b>	<b>936</b>	<b>764</b>	<b>1,700</b>	<b>936</b>	<b>764</b>

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# STATE OF ALABAMA

## DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	General Fund		
	Budget	Actual	Variance
<b>General Fund Direct Disbursements</b>			
Fine Arts: Music Hall of Fame	237	237	-
Historical Resources Management: Cahaba Advisory Committee	352	352	-
Historical Resources Management: Gorgas Memorial Board	23	23	-
Historical Resources Management: Historic Chattahoochee Commission	162	162	-
Historical Resources Management: Historic Ironworks Commission	286	286	-
Historical Resources Management: St. Stephens Historical Commission	241	241	-
Historical Resources Management: Women's Hall of Fame	13	13	-
Mineral, Energy, and Water Resources: Southern States Energy Board	21	21	-
Special Services: Southern Growth Policies Board	28	28	-
Tourism and Travel Promotion: Historic Blakeley Authority	396	396	-
Tourism and Travel Promotion: Motor Sports Hall of Fame	152	152	-
Water Resource Development: Choccolocco Creek Watershed	24	24	-
Water Resource Development: Elk River Development	19	19	-
Water Resource Development: Tennessee-Tombigbee Waterway	106	106	-
<b>Total General Fund Direct Disbursements</b>	<b>2,060</b>	<b>2,060</b>	<b>-</b>
<b>General Fund Non-State</b>			
Non-State: AIDS-Task Force	51	51	-
Non-State: Alabama Travel Council	97	97	-
Non-State: Alabama's Young Woman of the Year	13	13	-
Non-State: America's Young Woman of the Year	54	54	-
Non-State: Autism Society of Alabama	48	48	-
Non-State: Beacon House-Jasper	34	34	-
Non-State: Coalition Against Domestic Violence	814	814	-
Non-State: Coosa-Alabama River Improvement	90	90	-
Non-State: Council on Child Abuse	186	186	-
Non-State: Elyton Recovery Center	60	60	-
Non-State: Kidney Foundation, Inc	362	362	-
Non-State: Lighthouse Counseling Center	29	29	-
Non-State: Network of Children's Advocacy Centers	2,702	2,702	-
Non-State: Parkinson Association of Alabama	82	82	-
Non-State: Retired Senior Volunteer Program	281	281	-
Non-State: Shoals Entrepreneurial Center	97	97	-
Non-State: Tri-Rivers Waterway Development	61	61	-
Non-State: Warrior-Tombigbee Development	67	67	-
Non-State: WRATT Foundation	75	75	-
<b>Total General Fund Non-State</b>	<b>5,203</b>	<b>5,203</b>	<b>-</b>
<b>Geological Survey</b>			
Mineral, Energy, and Water Resources	2,247	2,246	1
<b>Total Geological Survey</b>	<b>2,247</b>	<b>2,246</b>	<b>1</b>
<b>Governor's Mansion Advisory Board</b>			
Historical Resources Management	-	-	-
<b>Total Governor's Mansion Advisory Board</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Governor's Office on Disability</b>			
Executive Direction	222	202	20
<b>Total Governor's Office on Disability</b>	<b>222</b>	<b>202</b>	<b>20</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	-	-	-	237	237	-
-	-	-	-	-	-	352	352	-
-	-	-	-	-	-	23	23	-
-	-	-	-	-	-	162	162	-
-	-	-	-	-	-	286	286	-
-	-	-	-	-	-	241	241	-
-	-	-	-	-	-	13	13	-
-	-	-	-	-	-	21	21	-
-	-	-	-	-	-	28	28	-
-	-	-	-	-	-	396	396	-
-	-	-	-	-	-	152	152	-
-	-	-	-	-	-	24	24	-
-	-	-	-	-	-	19	19	-
-	-	-	-	-	-	106	106	-
-	-	-	-	-	-	<b>2,060</b>	<b>2,060</b>	-
-	-	-	-	-	-			
-	-	-	-	-	-	51	51	-
-	-	-	-	-	-	97	97	-
-	-	-	-	-	-	13	13	-
-	-	-	-	-	-	54	54	-
-	-	-	-	-	-	48	48	-
-	-	-	-	-	-	34	34	-
-	-	-	-	-	-	814	814	-
-	-	-	-	-	-	90	90	-
-	-	-	-	-	-	186	186	-
-	-	-	-	-	-	60	60	-
-	-	-	-	-	-	362	362	-
-	-	-	-	-	-	29	29	-
-	-	-	-	-	-	2,702	2,702	-
-	-	-	-	-	-	82	82	-
-	-	-	-	-	-	281	281	-
-	-	-	-	-	-	97	97	-
-	-	-	-	-	-	61	61	-
-	-	-	-	-	-	67	67	-
-	-	-	-	-	-	75	75	-
-	-	-	-	-	-	<b>5,203</b>	<b>5,203</b>	-
-	-	-	-	-	-			
-	-	-	1,470	1,384	86	3,717	3,630	87
-	-	-	<b>1,470</b>	<b>1,384</b>	<b>86</b>	<b>3,717</b>	<b>3,630</b>	<b>87</b>
-	-	-	6	-	6	6	-	6
-	-	-	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>
-	-	-	79	30	49	301	232	69
-	-	-	<b>79</b>	<b>30</b>	<b>49</b>	<b>301</b>	<b>232</b>	<b>69</b>

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Gulf State Park Authority</b>			
Capital Outlay	-	-	-
<b>Total Gulf State Park Authority</b>	-	-	-
<b>Health Planning and Development</b>			
Health Planning Development and Regulation	350	350	-
<b>Total Health Planning and Development</b>	<b>350</b>	<b>350</b>	<b>-</b>
<b>Hearing Instrument Dealers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Hearing Instrument Dealers Board</b>	-	-	-
<b>Heating and Air Conditioning Contractors Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Heating and Air Conditioning Contractors Board</b>	-	-	-
<b>High School of Math and Science</b>			
Financial Assistance	-	-	-
<b>Total High School of Math and Science</b>	-	-	-
<b>Historical Commission</b>			
Capital Outlay: Alabama Historical Commission	-	-	-
Capital Outlay: Capitol Preservation	-	-	-
Capital Outlay: Confederate Park-Soldier Fund	-	-	-
Historical Resources Management: Alabama Historical Commission	-	-	-
Historical Resources Management: Capitol Preservation	-	-	-
Historical Resources Management: Confederate Park-Soldier Fund	-	-	-
<b>Total Historical Commission</b>	-	-	-
<b>Home Builders Licensure Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Home Builders Licensure Board</b>	-	-	-
<b>Home Medical Equipment Services Provider Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Home Medical Equipment Services Provider Board</b>	-	-	-
<b>Incentives Financing Authority</b>			
Capital Outlay	-	-	-
<b>Total Incentives Financing Authority</b>	-	-	-
<b>Indian Affairs Commission</b>			
Social Services	201	200	1
<b>Total Indian Affairs Commission</b>	<b>201</b>	<b>200</b>	<b>1</b>
<b>Industrial Access Road and Bridge Authority</b>			
Capital Outlay	-	-	-
<b>Total Industrial Access Road and Bridge Authority</b>	-	-	-
<b>Insurance</b>			
Regulatory Services	-	-	-
<b>Total Insurance</b>	-	-	-
<b>Interior Design Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Interior Design Registration Board</b>	-	-	-
<b>Interpreters and Translators</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Interpreters and Translators</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	1,000	678	322	1,000	678	322
-	-	-	1,000	678	322	1,000	678	322
-	-	-	711	547	164	1,061	897	164
-	-	-	711	547	164	1,061	897	164
-	-	-	54	25	29	54	25	29
-	-	-	54	25	29	54	25	29
-	-	-	620	589	31	620	589	31
-	-	-	620	589	31	620	589	31
5,119	5,118	1	-	-	-	5,119	5,118	1
<b>5,119</b>	<b>5,118</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,119</b>	<b>5,118</b>	<b>1</b>
-	-	-	4,300	1,445	2,855	4,300	1,445	2,855
-	-	-	150	58	92	150	58	92
-	-	-	200	100	100	200	100	100
-	-	-	6,365	6,048	317	6,365	6,048	317
-	-	-	934	879	55	934	879	55
-	-	-	317	231	86	317	231	86
-	-	-	12,266	8,761	3,505	12,266	8,761	3,505
-	-	-	1,684	1,368	316	1,684	1,368	316
-	-	-	1,684	1,368	316	1,684	1,368	316
-	-	-	40	34	6	40	34	6
-	-	-	40	34	6	40	34	6
-	-	-	7,916	7,840	76	7,916	7,840	76
-	-	-	7,916	7,840	76	7,916	7,840	76
-	-	-	50	47	3	251	247	4
-	-	-	50	47	3	251	247	4
-	-	-	3,222	3,222	-	3,222	3,222	-
-	-	-	3,222	3,222	-	3,222	3,222	-
-	-	-	7,526	6,172	1,354	7,526	6,172	1,354
-	-	-	7,526	6,172	1,354	7,526	6,172	1,354
-	-	-	26	25	1	26	25	1
-	-	-	26	25	1	26	25	1
-	-	-	18	13	5	18	13	5
-	-	-	18	13	5	18	13	5

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Joint Legislative Oversight Committee on Community Service</b>			
Alabama Community Service Grant: House of Representatives	-	-	-
Alabama Community Service Grant: Senate	-	-	-
<b>Total Joint Legislative Oversight Committee on Community Service</b>	-	-	-
<b>Judicial Inquiry Commission</b>			
Administrative Services	332	332	-
<b>Total Judicial Inquiry Commission</b>	<b>332</b>	<b>332</b>	-
<b>Knight vs. Alabama Financial Obligation</b>			
Support of State Universities	-	-	-
Support of State Universities: Attorney's Fees	-	-	-
Support of State Universities: Electrical/Mechanical Engineering Programs-Alabama A&M	-	-	-
Support of State Universities: Employment Practices-White-Def	-	-	-
Support of State Universities: Ext System-Urban/Non Trade Programs-Alabama A&M	-	-	-
Support of State Universities: Health Information Management Program - Alabama State Univ.	-	-	-
Support of State Universities: Master of Accountancy Program - Alabama State University	-	-	-
Support of State Universities: Occupational Therapy Program - Alabama State University	-	-	-
Support of State Universities: Physical Therapy Program-Alabama State University	-	-	-
Support of State Universities: Scholarships to Diversify-ASU	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama A&M	-	-	-
Support of State Universities: Trust for Educational Excellence, Base-Alabama State	-	-	-
Support of State Universities: Trust for Educational Excellence, Match-Alabama State	-	-	-
<b>Total Knight vs. Alabama Financial Obligation</b>	-	-	-
<b>Labor</b>			
Regulatory Services	468	314	154
<b>Total Labor</b>	<b>468</b>	<b>314</b>	<b>154</b>
<b>Landscape Architect Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Landscape Architect Examining Board</b>	-	-	-
<b>Legislative Council</b>			
Legislative Operations and Support	437	245	192
<b>Total Legislative Council</b>	<b>437</b>	<b>245</b>	<b>192</b>
<b>Legislative Fiscal Office</b>			
Legislative Operations and Support	1,745	1,525	220
<b>Total Legislative Fiscal Office</b>	<b>1,745</b>	<b>1,525</b>	<b>220</b>
<b>Legislative Reference Service</b>			
Legislative Operations and Support: Code Supplement-LRS	142	110	32
Legislative Operations and Support: Legislative Reference Service	2,320	2,280	40
<b>Total Legislative Reference Service</b>	<b>2,462</b>	<b>2,390</b>	<b>72</b>
<b>Lieutenant Governor</b>			
Legislative Operations and Support	735	439	296
<b>Total Lieutenant Governor</b>	<b>735</b>	<b>439</b>	<b>296</b>
<b>Liquefied Petroleum Gas Board</b>			
Regulatory Services	-	-	-
<b>Total Liquefied Petroleum Gas Board</b>	-	-	-
<b>Manufactured Housing Commission</b>			
Regulatory Services	-	-	-
<b>Total Manufactured Housing Commission</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
7,311	7,214	97	-	-	-	7,311	7,214	97
5,083	5,075	8	-	-	-	5,083	5,075	8
<b>12,394</b>	<b>12,289</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,394</b>	<b>12,289</b>	<b>105</b>
-	-	-	-	-	-	332	332	-
-	-	-	-	-	-	<b>332</b>	<b>332</b>	<b>-</b>
650	650	-	-	-	-	650	650	-
449	449	-	-	-	-	449	449	-
514	514	-	-	-	-	514	514	-
1,471	1,471	-	-	-	-	1,471	1,471	-
251	251	-	-	-	-	251	251	-
217	217	-	-	-	-	217	217	-
70	70	-	-	-	-	70	70	-
335	335	-	-	-	-	335	335	-
280	280	-	-	-	-	280	280	-
873	873	-	-	-	-	873	873	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
1,000	1,000	-	-	-	-	1,000	1,000	-
<b>8,110</b>	<b>8,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,110</b>	<b>8,110</b>	<b>-</b>
-	-	-	171	170	1	639	484	155
-	-	-	<b>171</b>	<b>170</b>	<b>1</b>	<b>639</b>	<b>484</b>	<b>155</b>
-	-	-	60	48	12	60	48	12
-	-	-	<b>60</b>	<b>48</b>	<b>12</b>	<b>60</b>	<b>48</b>	<b>12</b>
-	-	-	-	-	-	437	245	192
-	-	-	-	-	-	<b>437</b>	<b>245</b>	<b>192</b>
-	-	-	-	-	-	1,745	1,525	220
-	-	-	-	-	-	<b>1,745</b>	<b>1,525</b>	<b>220</b>
-	-	-	-	-	-	142	110	32
-	-	-	-	-	-	2,320	2,280	40
-	-	-	-	-	-	<b>2,462</b>	<b>2,390</b>	<b>72</b>
-	-	-	-	-	-	735	439	296
-	-	-	-	-	-	<b>735</b>	<b>439</b>	<b>296</b>
-	-	-	791	557	234	791	557	234
-	-	-	<b>791</b>	<b>557</b>	<b>234</b>	<b>791</b>	<b>557</b>	<b>234</b>
-	-	-	3,160	1,807	1,353	3,160	1,807	1,353
-	-	-	<b>3,160</b>	<b>1,807</b>	<b>1,353</b>	<b>3,160</b>	<b>1,807</b>	<b>1,353</b>

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Marriage and Family Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Marriage and Family Therapy Board</b>	-	-	-
<b>Massage Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Massage Therapy Board</b>	-	-	-
<b>Men's Hall of Fame</b>			
Historical Resources Management	19	19	-
<b>Total Men's Hall of Fame</b>	<b>19</b>	<b>19</b>	<b>-</b>
<b>Mental Health Finance Authority</b>			
Capital Outlay	-	-	-
<b>Total Mental Health Finance Authority</b>	-	-	-
<b>Military</b>			
Capital Outlay: Capital Outlay	-	-	-
Military Operations	-	-	-
Military Operations: Active Military Service	490	124	366
Military Operations: Dropping Allowance	-	-	-
Military Operations: Operations	1,330	1,329	1
Military Operations: Operations and Maintenance	1,937	1,936	1
Military Operations: Quartering Allowance to Headquarters	1,450	1,450	-
Military Operations: State Defense Force	30	30	-
<b>Total Military</b>	<b>5,237</b>	<b>4,869</b>	<b>368</b>
<b>Nursing Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Nursing Board</b>	-	-	-
<b>Nursing Home Administration Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Nursing Home Administration Examining Board</b>	-	-	-
<b>Occupational Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Occupational Therapy Board</b>	-	-	-
<b>Office of National and Community Service</b>			
Executive Direction	161	158	3
<b>Total Office of National and Community Service</b>	<b>161</b>	<b>158</b>	<b>3</b>
<b>Office of Prosecution Services</b>			
Prosecution Training Education and Management	615	615	-
<b>Total Office of Prosecution Services</b>	<b>615</b>	<b>615</b>	<b>-</b>
<b>Oil and Gas Board</b>			
Management and Regulation of Oil and Gas Exploration/Development	2,160	2,123	37
<b>Total Oil and Gas Board</b>	<b>2,160</b>	<b>2,123</b>	<b>37</b>
<b>Pardons and Paroles</b>			
Administration of Pardons and Paroles	13,934	13,931	3
<b>Total Pardons and Paroles</b>	<b>13,934</b>	<b>13,931</b>	<b>3</b>
<b>Peace Officer Annuity and Benefit</b>			
Retirement Systems	-	-	-
<b>Total Peace Officer Annuity and Benefit</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	60	39	21	60	39	21
-	-	-	60	39	21	60	39	21
-	-	-	75	75	-	75	75	-
-	-	-	75	75	-	75	75	-
-	-	-	-	-	-	19	19	-
-	-	-	-	-	-	19	19	-
-	-	-	3,167	1,375	1,792	3,167	1,375	1,792
-	-	-	3,167	1,375	1,792	3,167	1,375	1,792
-	-	-	3,028	2,888	140	3,028	2,888	140
-	-	-	4	3	1	4	3	1
-	-	-	-	-	-	490	124	366
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,330	1,329	1
-	-	-	18,564	14,067	4,497	20,501	16,003	4,498
-	-	-	-	-	-	1,450	1,450	-
-	-	-	-	-	-	30	30	-
-	-	-	21,596	16,958	4,638	26,833	21,827	5,006
53	39	14	3,125	2,798	327	3,178	2,837	341
53	39	14	3,125	2,798	327	3,178	2,837	341
-	-	-	105	87	18	105	87	18
-	-	-	105	87	18	105	87	18
-	-	-	125	79	46	125	79	46
-	-	-	125	79	46	125	79	46
-	-	-	2,514	1,351	1,163	2,675	1,509	1,166
-	-	-	2,514	1,351	1,163	2,675	1,509	1,166
-	-	-	3,937	3,015	922	4,552	3,630	922
-	-	-	3,937	3,015	922	4,552	3,630	922
-	-	-	477	438	39	2,637	2,561	76
-	-	-	477	438	39	2,637	2,561	76
-	-	-	9,058	7,468	1,590	22,992	21,399	1,593
-	-	-	9,058	7,468	1,590	22,992	21,399	1,593
-	-	-	467	358	109	467	358	109
-	-	-	467	358	109	467	358	109

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Peace Officer Standards and Training</b>			
Certified Law Enforcement Academy Program	-	-	-
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Peace Officer Standards and Training</b>	-	-	-
<b>Personnel</b>			
Administrative Support Service	-	-	-
<b>Total Personnel</b>	-	-	-
<b>Physical Fitness Commission</b>			
Advisory Services	-	-	-
<b>Total Physical Fitness Commission</b>	-	-	-
<b>Physical Therapy Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Physical Therapy Board</b>	-	-	-
<b>Plumbers and Gas Fitters Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Plumbers and Gas Fitters Examining Board</b>	-	-	-
<b>Polygraph Examiners</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Polygraph Examiners</b>	-	-	-
<b>President Pro Tempore Senate</b>			
Legislative Operations and Support	1,232	858	374
<b>Total President Pro Tempore Senate</b>	<b>1,232</b>	<b>858</b>	<b>374</b>
<b>Professional Engineers Registration Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Professional Engineers Registration Board</b>	-	-	-
<b>Professional Geologists Licensing Board</b>			
Mineral, Energy, and Water Resources	-	-	-
<b>Total Professional Geologists Licensing Board</b>	-	-	-
<b>Psychology Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Psychology Examiners Board</b>	-	-	-
<b>Public Education Employees Health Insurance Board</b>			
Administrative Support Service	-	-	-
<b>Total Public Education Employees Health Insurance Board</b>	-	-	-
<b>Public Library Service</b>			
Public Library Services	-	-	-
<b>Total Public Library Service</b>	-	-	-
<b>Public Livestock Market Board</b>			
Agricultural Development Services	-	-	-
<b>Total Public Livestock Market Board</b>	-	-	-
<b>Public School and College Authority</b>			
Capital Outlay	-	-	-
<b>Total Public School and College Authority</b>	-	-	-
<b>Real Estate Appraisers Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Real Estate Appraisers Board</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
517	517	-	475	475	-	992	992	-
341	339	2	1,000	286	714	1,341	625	716
<b>858</b>	<b>856</b>	<b>2</b>	<b>1,475</b>	<b>761</b>	<b>714</b>	<b>2,333</b>	<b>1,617</b>	<b>716</b>
-	-	-	7,672	6,616	1,056	7,672	6,616	1,056
-	-	-	<b>7,672</b>	<b>6,616</b>	<b>1,056</b>	<b>7,672</b>	<b>6,616</b>	<b>1,056</b>
231	230	1	10	4	6	241	234	7
<b>231</b>	<b>230</b>	<b>1</b>	<b>10</b>	<b>4</b>	<b>6</b>	<b>241</b>	<b>234</b>	<b>7</b>
-	-	-	288	169	119	288	169	119
-	-	-	<b>288</b>	<b>169</b>	<b>119</b>	<b>288</b>	<b>169</b>	<b>119</b>
-	-	-	1,710	1,311	399	1,710	1,311	399
-	-	-	<b>1,710</b>	<b>1,311</b>	<b>399</b>	<b>1,710</b>	<b>1,311</b>	<b>399</b>
-	-	-	20	17	3	20	17	3
-	-	-	<b>20</b>	<b>17</b>	<b>3</b>	<b>20</b>	<b>17</b>	<b>3</b>
-	-	-	-	-	-	1,232	858	374
-	-	-	-	-	-	<b>1,232</b>	<b>858</b>	<b>374</b>
-	-	-	924	727	197	924	727	197
-	-	-	<b>924</b>	<b>727</b>	<b>197</b>	<b>924</b>	<b>727</b>	<b>197</b>
-	-	-	90	63	27	90	63	27
-	-	-	<b>90</b>	<b>63</b>	<b>27</b>	<b>90</b>	<b>63</b>	<b>27</b>
-	-	-	186	93	93	186	93	93
-	-	-	<b>186</b>	<b>93</b>	<b>93</b>	<b>186</b>	<b>93</b>	<b>93</b>
-	-	-	1,288	990	298	1,288	990	298
-	-	-	<b>1,288</b>	<b>990</b>	<b>298</b>	<b>1,288</b>	<b>990</b>	<b>298</b>
9,930	9,876	54	2,511	2,472	39	12,441	12,348	93
<b>9,930</b>	<b>9,876</b>	<b>54</b>	<b>2,511</b>	<b>2,472</b>	<b>39</b>	<b>12,441</b>	<b>12,348</b>	<b>93</b>
-	-	-	4	2	2	4	2	2
-	-	-	<b>4</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>2</b>
-	-	-	216,561	92,571	123,990	216,561	92,571	123,990
-	-	-	<b>216,561</b>	<b>92,571</b>	<b>123,990</b>	<b>216,561</b>	<b>92,571</b>	<b>123,990</b>
-	-	-	663	661	2	663	661	2
-	-	-	<b>663</b>	<b>661</b>	<b>2</b>	<b>663</b>	<b>661</b>	<b>2</b>

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**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Real Estate Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Real Estate Commission</b>	-	-	-
<b>Retirement Systems of Alabama</b>			
Retirement Systems	-	-	-
<b>Total Retirement Systems of Alabama</b>	-	-	-
<b>Securities Commission</b>			
Regulatory Services	-	-	-
<b>Total Securities Commission</b>	-	-	-
<b>Senior Citizens Hall of Fame</b>			
Historical Resources Management	15	15	-
<b>Total Senior Citizens Hall of Fame</b>	<b>15</b>	<b>15</b>	-
<b>Senior Services</b>			
Elderly Medication Program	450	450	-
Medicaid Waiver Services	5,751	5,751	-
Non-State	50	50	-
Planning and Advocacy for Elderly	4,340	4,340	-
<b>Total Senior Services</b>	<b>10,591</b>	<b>10,591</b>	-
<b>Sickle Cell Oversight Commission</b>			
Support - Other Educational Activities	-	-	-
<b>Total Sickle Cell Oversight Commission</b>	-	-	-
<b>Social Work Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Social Work Examiners Board</b>	-	-	-
<b>Soil and Water Conservation Commission</b>			
Professional and Occupational Licensure and Regulation	-	-	-
Soil Conservation Program	-	-	-
Water Resource Development	3,222	3,139	83
<b>Total Soil and Water Conservation Commission</b>	<b>3,222</b>	<b>3,139</b>	<b>83</b>
<b>Speaker of the House</b>			
Speaker of House, Office of	945	366	579
<b>Total Speaker of the House</b>	<b>945</b>	<b>366</b>	<b>579</b>
<b>Speech Pathologists and Audiologists Examining Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Speech Pathologists and Audiologists Examining Board</b>	-	-	-
<b>Sports Hall of Fame Board</b>			
Historical Resources Management	275	275	-
Support - Other Educational Activities	-	-	-
<b>Total Sports Hall of Fame Board</b>	<b>275</b>	<b>275</b>	-
<b>State Bar Association</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total State Bar Association</b>	-	-	-
<b>State Employees Insurance Board</b>			
Administrative Support Service	-	-	-
Fringe Benefits	-	-	-
<b>Total State Employees Insurance Board</b>	-	-	-

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	3,022	1,526	1,496	3,022	1,526	1,496
-	-	-	3,022	1,526	1,496	3,022	1,526	1,496
-	-	-	27,288	20,319	6,969	27,288	20,319	6,969
-	-	-	27,288	20,319	6,969	27,288	20,319	6,969
-	-	-	7,177	6,598	579	7,177	6,598	579
-	-	-	7,177	6,598	579	7,177	6,598	579
-	-	-	-	-	-	15	15	-
-	-	-	-	-	-	15	15	-
-	-	-	50	-	50	500	450	50
-	-	-	22,583	16,843	5,740	28,334	22,594	5,740
-	-	-	-	-	-	50	50	-
-	-	-	22,764	20,728	2,036	27,104	25,068	2,036
-	-	-	45,397	37,571	7,826	55,988	48,162	7,826
1,574	1,572	2	-	-	-	1,574	1,572	2
1,574	1,572	2	-	-	-	1,574	1,572	2
-	-	-	213	135	78	213	135	78
-	-	-	213	135	78	213	135	78
-	-	-	5	1	4	5	1	4
13	13	-	-	-	-	13	13	-
-	-	-	560	382	178	3,782	3,521	261
13	13	-	565	383	182	3,800	3,535	265
-	-	-	-	-	-	945	366	579
-	-	-	-	-	-	945	366	579
-	-	-	187	80	107	187	80	107
-	-	-	187	80	107	187	80	107
-	-	-	-	-	-	275	275	-
125	125	-	-	-	-	125	125	-
125	125	-	-	-	-	400	400	-
-	-	-	4,089	3,416	673	4,089	3,416	673
-	-	-	4,089	3,416	673	4,089	3,416	673
-	-	-	3,084	2,268	816	3,084	2,268	816
-	-	-	532	152	380	532	152	380
-	-	-	3,616	2,420	1,196	3,616	2,420	1,196

Continued on next page...

**STATE OF ALABAMA**

**DETAIL SCHEDEOL OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>State Industrial Development Authority</b>			
Capital Outlay	-	-	-
Industrial Development	-	-	-
<b>Total State Industrial Development Authority</b>	-	-	-
<b>State Tenure Commission</b>			
Regulation	-	-	-
<b>Total State Tenure Commission</b>	-	-	-
<b>Supercomputer Authority</b>			
Administrative Support Service	-	-	-
<b>Total Supercomputer Authority</b>	-	-	-
<b>Supreme Court</b>			
Court Operations	8,264	8,100	164
<b>Total Supreme Court</b>	<b>8,264</b>	<b>8,100</b>	<b>164</b>
<b>Supreme Court Law Library</b>			
Court Operations	1,613	1,613	-
<b>Total Supreme Court Law Library</b>	<b>1,613</b>	<b>1,613</b>	<b>-</b>
<b>Surface Mining Commission</b>			
Industrial Safety and Accident Prevention	-	-	-
<b>Total Surface Mining Commission</b>	-	-	-
<b>Tennessee Valley Exhibit Commission</b>			
Promotional Development	110	99	11
<b>Total Tennessee Valley Exhibit Commission</b>	<b>110</b>	<b>99</b>	<b>11</b>
<b>Tourism and Travel</b>			
Tourism and Travel Promotion	2,360	2,339	21
<b>Total Tourism and Travel</b>	<b>2,360</b>	<b>2,339</b>	<b>21</b>
<b>Twenty-first Century Authority</b>			
Capital Outlay	-	-	-
<b>Total Twenty-first Century Authority</b>	-	-	-
<b>Veterans Affairs</b>			
Administration of Veterans Affairs	6,230	5,919	311
<b>Total Veterans Affairs</b>	<b>6,230</b>	<b>5,919</b>	<b>311</b>
<b>Veterinarian Medical Examiners Board</b>			
Professional and Occupational Licensure and Regulation	-	-	-
<b>Total Veterinarian Medical Examiners Board</b>	-	-	-
<b>Voter Registration</b>			
Special Services	516	516	-
<b>Total Voter Registration</b>	<b>516</b>	<b>516</b>	<b>-</b>
<b>Women's Commission</b>			
Employment and Social Opportunities	19	1	18
<b>Total Women's Commission</b>	<b>19</b>	<b>1</b>	<b>18</b>
<b>TOTAL Other</b>	<b>183,002</b>	<b>168,675</b>	<b>14,327</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 972,390</b>	<b>\$ 947,798</b>	<b>\$ 24,592</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
-	-	-	285	285	-	285	285	-
-	-	-	350	61	289	350	61	289
-	-	-	635	346	289	635	346	289
19	19	-	-	-	-	19	19	-
19	19	-	-	-	-	19	19	-
-	-	-	6,744	6,357	387	6,744	6,357	387
-	-	-	6,744	6,357	387	6,744	6,357	387
-	-	-	-	-	-	8,264	8,100	164
-	-	-	-	-	-	8,264	8,100	164
-	-	-	-	-	-	1,613	1,613	-
-	-	-	-	-	-	1,613	1,613	-
-	-	-	3,795	3,141	654	3,795	3,141	654
-	-	-	3,795	3,141	654	3,795	3,141	654
-	-	-	199	20	179	309	119	190
-	-	-	199	20	179	309	119	190
-	-	-	9,227	8,353	874	11,587	10,692	895
-	-	-	9,227	8,353	874	11,587	10,692	895
-	-	-	99,375	27,582	71,793	99,375	27,582	71,793
-	-	-	99,375	27,582	71,793	99,375	27,582	71,793
8,395	8,395	-	23,416	15,209	8,207	38,041	29,523	8,518
8,395	8,395	-	23,416	15,209	8,207	38,041	29,523	8,518
-	-	-	400	292	108	400	292	108
-	-	-	400	292	108	400	292	108
-	-	-	200	160	40	716	676	40
-	-	-	200	160	40	716	676	40
-	-	-	-	-	-	19	1	18
-	-	-	-	-	-	19	1	18
93,737	87,516	6,221	1,361,112	822,695	538,417	1,637,851	1,078,886	558,965
\$ 4,102,987	\$ 4,093,182	\$ 9,805	\$11,916,621	\$ 8,661,380	\$ 3,255,241	\$16,991,998	\$13,702,360	\$ 3,289,638

Continued on next page...

**STATE OF ALABAMA**

**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

(Continued from previous page)

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING TRANSFERS OUT:</b>			
<b><u>Education Trust Fund Operating Transfers</u></b>			
ACHE - Eminent Scholars	-	-	-
Building Commission	-	-	-
Child Abuse Board	-	-	-
Education Tech Fund Transfer	-	-	-
Finance-Telephone Revolving	-	-	-
Human Resources	-	-	-
Mental Health	-	-	-
Penny Trust Fund	-	-	-
Proration Prevention Fund	-	-	-
PSCA - Act 90-735	-	-	-
Public School Fund Endowment	-	-	-
Supercomputer	-	-	-
Veterans Affairs	-	-	-
<b>TOTAL Education Trust Fund Operating Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>General Fund Operating Transfers</u></b>			
ABC Board Tobacco Regulation	193	-	193
ABI Cost of Evidence	100	100	-
ADEM-Hazardous Substance Fund	36	36	-
ADEM-Operations	4,519	4,519	-
Agriculture and Conservation Development Commission	2,429	2,429	-
Alabama Agricultural Museum	132	132	-
Alabama Building Renovation Finance Authority	1,515	1,515	-
Child Abuse Board	825	825	-
Child Health Insurance Program	6,616	6,616	-
Children's Policy Council	20	20	-
Conservation - Game and Fish	100	100	-
Conservation - Parks	100	100	-
County Government Capital Improvement Fund	-	-	-
Department of Transportation	121	121	-
Fair Trial Tax Transfer	22,800	22,800	-
Finance - Telephone Revolving	1,226	1,226	-
Forestry Commission	14,270	14,270	-
General Fund Proration Prevention	5,000	5,000	-
Historical Commission	4,212	4,212	-
Human Resources	66,139	66,139	-
Mental Health	96,508	96,508	-
Municipal Government Capital Improvement Fund	-	-	-
Parks System Improvement Corp	7,756	7,578	178
Penny Trust Fund	177	177	-
Pollution Grant	725	725	-
Public Historical Sites Corp.	429	420	9
Revenue-Ad Valorem Equalization	241	241	-
Surface Mining Commission	593	593	-
Treasurer-Unclaimed Property	301	301	-
<b>TOTAL General Fund Operating Transfers</b>	<b>237,083</b>	<b>236,703</b>	<b>380</b>

Education Trust Fund			Earmarked Funds			Total		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
507	507	-	-	-	-	507	507	-
531	531	-	-	-	-	531	531	-
2,058	2,058	-	-	-	-	2,058	2,058	-
2,322	2,322	-	-	-	-	2,322	2,322	-
2,179	2,179	-	-	-	-	2,179	2,179	-
7,404	7,404	-	-	-	-	7,404	7,404	-
18,947	18,947	-	-	-	-	18,947	18,947	-
185	177	8	-	-	-	185	177	8
12	12	-	-	-	-	12	12	-
767	340	427	-	-	-	767	340	427
533	533	-	-	-	-	533	533	-
4,567	4,567	-	-	-	-	4,567	4,567	-
2,770	2,770	-	-	-	-	2,770	2,770	-
<b>42,782</b>	<b>42,347</b>	<b>435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,782</b>	<b>42,347</b>	<b>435</b>
-	-	-	-	-	-	193	-	193
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	36	36	-
-	-	-	-	-	-	4,519	4,519	-
-	-	-	-	-	-	2,429	2,429	-
-	-	-	-	-	-	132	132	-
-	-	-	-	-	-	1,515	1,515	-
-	-	-	-	-	-	825	825	-
-	-	-	-	-	-	6,616	6,616	-
-	-	-	-	-	-	20	20	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	100	100	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	121	121	-
-	-	-	-	-	-	22,800	22,800	-
-	-	-	-	-	-	1,226	1,226	-
-	-	-	-	-	-	14,270	14,270	-
-	-	-	-	-	-	5,000	5,000	-
-	-	-	-	-	-	4,212	4,212	-
-	-	-	-	-	-	66,139	66,139	-
-	-	-	-	-	-	96,508	96,508	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,756	7,578	178
-	-	-	-	-	-	177	177	-
-	-	-	-	-	-	725	725	-
-	-	-	-	-	-	429	420	9
-	-	-	-	-	-	241	241	-
-	-	-	-	-	-	593	593	-
-	-	-	-	-	-	301	301	-
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>237,083</b>	<b>236,703</b>	<b>380</b>

Continued on next page...

**STATE OF ALABAMA**

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**DETAIL SCHEDEULE OF BUDGET AND ACTUAL EXPENDITURES**

All Agencies and Appropriations, *Non-GAAP, Budget Basis*

*(Continued from previous page)*

**For the Fiscal Year Ended September 30, 2002**

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(Amounts in Thousands)

	<b>General Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>TOTAL OPERATING TRANSFERS OUT</b>	\$ 237,083	\$ 236,703	\$ 380
<b>TOTAL EXPENDITURES AND OPERATING TRANSFERS OUT</b>	<b>\$ 1,209,473</b>	<b>\$ 1,184,501</b>	<b>\$ 24,972</b>

<b>Education Trust Fund</b>			<b>Earmarked Funds</b>			<b>Total</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
\$ 42,782	\$ 42,347	\$ 435	\$ -	\$ -	\$ -	\$ 279,865	\$ 279,050	\$ 815
<b>\$ 4,145,769</b>	<b>\$ 4,135,529</b>	<b>\$ 10,240</b>	<b>\$11,916,621</b>	<b>\$ 8,661,380</b>	<b>\$ 3,255,241</b>	<b>\$17,271,863</b>	<b>\$13,981,410</b>	<b>\$ 3,290,453</b>



STATE OF ALABAMA

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STATISTICAL SECTION

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# STATE OF ALABAMA

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## REVENUES BY SOURCE

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30, 2002

(Amounts in Thousands)

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<b><u>Revenue Source</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
Taxes	\$ 5,699,382	\$ 5,790,458	\$ 5,940,174	\$ 5,674,169	\$ 5,435,640
Licenses, Permits and Fees	497,191	460,847	469,176	424,675	411,697
Fines, Forfeits, and Court Settlements	34,593	36,717	34,369	32,393	31,610
Investment Income	100,127	117,297	111,456	91,649	94,321
Federal Grants and Reimbursements	5,321,974	4,672,417	4,242,012	3,849,282	3,582,365
Other Revenues	1,335,183	1,006,970	980,135	896,735	858,601
<b>Total Revenues</b>	<b><u>\$ 12,988,450</u></b>	<b><u>\$ 12,084,706</u></b>	<b><u>\$ 11,777,322</u></b>	<b><u>\$ 10,968,903</u></b>	<b><u>\$ 10,414,234</u></b>

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<b><u>1997</u></b>	<b><u>1996</u></b>	<b><u>1995</u></b>	<b><u>1994</u></b>	<b><u>1993</u></b>
\$ 5,150,709	\$ 4,937,625	\$ 4,749,661	\$ 4,529,471	\$ 4,413,143
387,568	397,228	403,497	425,069	405,138
26,047	19,850	19,061	18,359	18,937
95,636	97,376	95,930	92,884	35,533
3,462,886	3,372,058	3,309,559	3,157,412	2,625,313
844,958	773,714	779,200	702,772	648,610
<b><u>\$ 9,967,804</u></b>	<b><u>\$ 9,597,851</u></b>	<b><u>\$ 9,356,908</u></b>	<b><u>\$ 8,925,967</u></b>	<b><u>\$ 8,146,674</u></b>

**STATE OF ALABAMA**

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**EXPENDITURES BY FUNCTION**

All Governmental Fund Types

For the Last Ten Fiscal Years Ended September 30, 2002

(Amounts in Thousands)

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<b><u>Function of Government</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>1998</u></b>
Current:					
Economic Development and Regulation	\$ 66,362	\$ 62,842	\$ 59,157	\$ 55,385	\$ 53,932
Education and Cultural Resources	4,502,307	3,439,323	3,478,450	3,236,580	3,130,193
Natural Resources and Recreation	95,352	55,102	48,886	54,976	45,377
Health-Physical and Mental	4,150,746	3,548,145	3,252,299	2,975,530	2,821,147
Social Services	1,411,889	1,525,130	1,366,767	1,343,668	1,308,549
Protection of Persons and Property	610,113	595,728	558,140	553,516	507,681
Transportation	1,216,388	1,082,933	962,474	814,683	720,898
General Government	501,996	482,879	442,203	407,904	388,039
Capital Outlay	38,983	2,474	7,019	14,065	31,223
Debt Service:					
Principal Retirement	63,716	64,358	42,524	69,468	68,709
Interest and Other Charges	86,902	21,944	24,262	15,320	18,231
Distributions to Local Governments	378,404	320,556	322,978	315,404	306,005
<b>Total Expenditures</b>	<b><u>\$ 13,123,158</u></b>	<b><u>\$ 11,201,414</u></b>	<b><u>\$ 10,565,159</u></b>	<b><u>\$ 9,856,499</u></b>	<b><u>\$ 9,399,984</u></b>

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<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>
\$ 103,056	\$ 87,706	\$ 94,261	\$ 50,927	\$ 48,169
2,976,872	2,776,491	2,759,043	2,579,655	2,422,101
48,136	42,182	38,511	36,922	34,403
2,713,012	2,497,339	2,372,774	2,148,999	2,304,927
1,307,381	1,362,749	1,383,012	1,397,458	708,250
464,578	458,312	398,493	400,539	343,643
730,024	768,181	726,059	673,164	646,233
369,885	355,676	362,413	337,930	328,927
23,088	12,059	22,175	15,604	49,471
95,699	111,712	67,825	115,785	98,640
42,390	31,671	29,647	96,547	74,244
293,389	295,854	288,623	285,154	279,993
<u>\$ 9,167,510</u>	<u>\$8,799,932</u>	<u>\$ 8,542,836</u>	<u>\$ 8,138,684</u>	<u>\$ 7,339,001</u>

# STATE OF ALABAMA

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## GENERAL OBLIGATION BONDS RATIOS

Last Ten Fiscal Years

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<u>Year</u>	<u>General Obligation Bonds (GOB) \$ Millions</u>	<u>GOB Indebtedness \$ Per Capita</u>	<u>Ratio of GOB Indebtedness To Assessed Value †</u>	<u>Ratio of GOB Indebtedness To Personal Income</u>
2002	\$ 535.1	\$ 119	1.44%	0.47%
2001	433.1	97	1.09	0.39
2000	292.5	66	.77	0.28
1999	319.1	73	.89	0.33
1998	341.9	79	1.07	0.37
1997	379.6	88	1.30	0.42
1996	417.4	98	1.52	0.49
1995	453.6	107	1.78	0.57
1994	486.4	115	1.97	0.64
1993	516.7	124	2.31	0.72

† Based on Total Assessed Valuation information provided by the State Department of Revenue.

**STATE OF ALABAMA**

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**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL OBLIGATION  
BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

**Last Ten Fiscal Years**

(Amounts in Thousands)

<b><u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>	<b><u>Total General Expenditures</u></b>	<b><u>Ratio</u></b>
2002	\$ 42,815	\$ 19,064	\$ 61,879	\$13,123,157	0.47%
2001	47,395	11,049	58,444	11,201,414	0.52
2000	28,475	9,809	38,284	10,565,159	0.36
1999	54,440	5,404	59,844	9,856,499	0.61
1998	54,320	8,544	62,864	9,399,984	0.67
1997	53,345	11,579	64,924	9,167,510	0.71
1996	50,550	14,370	64,920	8,799,932	0.74
1995	46,210	16,919	63,129	8,542,836	0.74
1994	41,340	18,537	59,877	8,138,684	0.74
1993	38,120	29,276	67,396	7,339,001	0.92

# STATE OF ALABAMA

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## SELECTED DEMOGRAPHIC STATISTICS

### Last Ten Years

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<b>Year</b>	<b>Population (in Thousands)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>Real Gross State Product (in Billions)**</b>
2002	4,487	\$ 25,225 *	5.9%	\$ 113.1 *
2001	4,469	24,564	5.3%	112.2 *
2000	4,452	23,521	4.6	112.2
1999	4,370	22,694	4.8	110.9
1998	4,352	21,904	4.2	106.5
1997	4,319	20,899	5.1	102.7
1996	4,273	20,138	5.1	99.3
1995	4,246	19,527	6.0	96.6
1994	4,215	18,739	6.0	83.6
1993	4,182	17,901	7.6	80.0

\* Estimated

\*\* 1996 Dollars

Sources: Population: U.S. Census Bureau

Unemployment: Alabama Department of Industrial Relations

Other Data: Auburn University at Montgomery,  
Bureau of Economic Analysis, University Outreach

# STATE OF ALABAMA

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## ASSESSED VALUATION OF PROPERTY SUBJECT TO AD VALOREM TAXATION

Last Ten Years

(Amounts in Thousands)

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<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Motor Vehicles</u>	<u>Total Assessed Valuation</u>
2002 *	\$26,742,473	\$5,688,474	\$3,605,354	\$5,419,705	\$41,456,006
2001	25,338,677	5,487,577	3,611,822	5,379,308	39,817,384
2000	24,163,844	5,174,292	3,508,760	4,999,654	37,846,550
1999	23,126,262	5,682,382	3,420,444	3,656,796	35,885,884
1998	20,302,968	4,985,767	3,139,629	3,542,710	31,971,074
1997	18,697,963	4,389,181	3,053,139	3,019,200	29,159,483
1996	17,702,384	3,924,821	3,067,168	2,775,209	27,469,582
1995	16,553,154	3,548,509	3,023,248	2,392,147	25,517,058
1994	16,000,789	3,407,187	3,012,494	2,229,930	24,650,400
1993	14,308,556	3,312,403	2,839,796	1,896,997	22,357,752

\* Estimated

Source: Alabama Department of Revenue

# STATE OF ALABAMA

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## TOP TWENTY MANUFACTURING COMPANIES IN ALABAMA

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<u>Rank</u>	<u>Parent Company Name</u>	<u>Total Number of Employees</u>	<u>City</u>	<u>State</u>
1	Russell Corporation	8,370	Alexander City	AL
2	Walter Industries	6,103	Tampa	FL
3	WestPoint Stevens, Inc.	6,098	West Point	GA
4	Tyson Foods	5,221	Springdale	AR
5	Gold Kist, Inc.	5,141	Atlanta	GA
6	EBSCO Industries, Inc.	4,954	Birmingham	AL
7	American Cast Iron Pipe Co.	4,626	Birmingham	AL
8	International Paper	4,340	Purchase	NY
9	Delphi Automotive System	4,176	Troy	MI
10	Intergraph Corporation	4,000	Huntsville	AL
11	Conti Group	3,814	Albertville	AL
12	The Boeing Company	3,500	Seattle	WA
13	Cavalier Homes, Inc.	3,415	Hamilton	AL
14	Drummond Company	3,150	Jasper	AL
15	VF Corporation	2,778	Greenboro	NC
16	DynCorp	2,758	Reston	VA
17	Daimler Chrysler	2,750	Auburn Hills	MI
18	Sara Lee Corporation	2,604	Florence	AL
19	Shaw Industries, Inc.	2,576	Dalton	GA
20	General Electric Company	2,476	Fairfield	CT

Source: Alabama Development Office

# STATE OF ALABAMA

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## COMMERCIAL BANK DEPOSITS

Last Ten Years

(Amounts in Millions)

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<u>YEAR *</u>	<u>AMOUNT</u>
2001	\$ 124,796
2000	122,221
1999	116,764
1998	100,129
1997	71,375
1996	44,610
1995	41,379
1994	39,014
1993	37,118
1992	35,071

\* Data not available for 2002

Source: FDIC

# STATE OF ALABAMA

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## CONSTRUCTION IN ALABAMA

### Last Ten Years

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#### **Housing Starts**

##### **Authorized by Permits\***

	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
Single Family Housing Units	19.09	16.25	13.67	14.93	14.66	13.63	14.57	12.76	14.44	11.50
Multifamily Housing Units	3.56	2.89	3.73	4.10	5.88	4.10	5.30	6.40	4.69	3.06
Total Housing Units	22.65	19.14	17.40	19.03	20.54	17.73	19.87	19.16	19.13	14.56

\* Units in Thousands

#### **Valuation on**

##### **Authorized Housing Units\*\***

Single Family Housing Units	\$ 2,283	\$ 1,864	\$ 1,499	\$ 1,655	\$ 1,501	\$ 1,353	\$ 1,301	\$ 1,442	\$ 1,168	\$ 1,046
Multifamily Housing Units	171	161	219	227	289	183	208	287	189	101
Total Housing Units	2,454	2,025	1,718	1,882	1,790	1,536	1,509	1,729	1,357	1,147

\*\* Value in Millions of Dollars

Source: U.S. Bureau of the Census, Current Construction Reports

# STATE OF ALABAMA

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## GENERAL INFORMATION

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Date Entered Union	December 14, 1819
State Capital	Montgomery
Miles of State Highway	10,846
Land Area (Square Miles)	51,718
State Trooper Protection:	
Number of Stations	14
Number of State Troopers	633
Higher Education (Public and Private Universities, Community, and Junior Colleges)	
Number of Campuses in State	60
Number of Educators (2001-2002)	8,215
Number of Students (Fall 2001)*	229,621
Recreation:	
Number of State Parks	24
Area of State Parks (acres)	49,651
Number of State Employees **	36,884

### Sources:

Alabama Department of Transportation  
Alabama Conservation Department - State Parks Division  
Alabama Commission on Higher Education  
Alabama Forestry Division  
Alabama Department of Public Safety  
Alabama Department of Conservation and Natural Resources  
Alabama Personnel Department

\* 2002 Data Unavailable

\*\* Includes State Merit System, House, Senate, and Administrative Office of the Courts

